



# ***Daily Report***

## **East Asia**

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# Daily Report

## East Asia

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**ASEAN Officials View PRC Gesture on Dispute**

BK2607111295 Bangkok *THE NATION* in English  
26 Jul 95 p 5A

[Report by Kunlachada Chaiphiphath, Marisa Chimprapha]

[FBIS Transcribed Text] Bandar Seri Begawan — Senior ASEAN political officials have noted China's positive gesture towards the South China Sea conflicts as reported by an Indonesian delegate, but were cautious not to give a whole-hearted welcome to the development.

During their meetings on Monday to prepare political and economic reports and a draft joint statement for their foreign ministers to review, the discussion on South China Sea conflicts was a dominant topic.

The officials listened to a briefing by an Indonesian delegate and questioned him on China's position on overlapping claims, and especially on the possibility of its military expansion.

ASEAN foreign ministers will begin their annual consultations on Saturday. Indonesian Foreign Minister Ali Alatas visited China last week, his first visit since the two countries established diplomatic relations in 1990.

The visit was seen by some observers as likely to have an impact on the future settlement of overlapping claims and joint development in the South China Sea area.

Two groups of islands and atolls in the oil and gas rich sea are claimed wholly or in part by three ASEAN states; Malaysia, Brunei and the Philippines, as well as Vietnam, Taiwan and China.

According to a source, Indonesia's director general of political affairs Izhar Ibrahim said China had agreed to respect the 1982 UN Convention on the Law of the Sea and other international laws as a basis for future settlement of overlapping claims. However, Beijing insisted on shelving the issue of sovereignty claims until bilateral negotiations with other claimants could be held.

Alatas said in Beijing that China wants greater cooperation with ASEAN and does not want to let the conflicting claims with some ASEAN members to undermine good relations with ASEAN. He quoted officials in Beijing as saying that their territorial claims in the Spratlys does not include Natun Island claimed by Indonesia.

Indonesia, which has been hosting five rounds of informal workshops on the management of potential conflicts in the South China Sea, will host next year's ASEAN Ministerial Meetings.

ASEAN sources said South China Sea conflicts may be raised by the Philippines at the ASEAN ministerial

consultative meeting with China on Sunday and the subsequent ASEAN Regional Forum on Tuesday, although the issue is not on the official agenda.

However, a source said ASEAN might opt to avoid confrontation with China, given the good cooperation shown by the two sides, by resorting to the use of the regular senior official channels between the two to discuss the sensitive question.

ASEAN and China will hold their first meeting on science and technology cooperation in September. ASEAN regards China as its most important consultative partner. Russia is the other consultative partner.

ASEAN caught Beijing unprepared when the grouping strongly backed the Philippines to raise the South China Sea conflict with China and to pressure China for a clear position on the issue at the first senior officials meeting between China and ASEAN in Hangzhou in May.

"China knows that ASEAN expects her to change. And ASEAN buys China's argument no more," said the source.

**Eye Working Groups on Security**

BK2707063195 Bangkok *THE NATION* in English  
27 Jul 95 p A8

[Kunlachada Chaiphiphath]

[FBIS Transcribed Text] Bandar Seri Begawan — ASEAN foreign ministers and their dialogue partners are expected to agree to establish three separate working groups to promote security cooperation during talks next Tuesday.

A meeting of senior ASEAN political officials decided yesterday the working groups should cover search and rescue at sea, peacekeeping operations and confidence-building measures, an official source said at the end of the three-day meeting.

The meeting worked out agendas, finalized discussion papers and prepared a joint communique to be issued after the 28th meeting of ASEAN foreign ministers, which begins tomorrow.

The ASEAN Regional Forum (ARF) is a platform for ASEAN ministers and their dialogue partners from developed countries in Asia and the West to discuss security and defence affairs in Asia and the Pacific.

The first working group on sea search and rescue will be co-chaired by Singapore and the United States, the second on peacekeeping operations by Malaysia and Canada and the third by Indonesia and Japan.

Their mandates would be to explore areas of cooperation.



The ARF meeting in Brunei, the second after the gathering in Bangkok in July last year, will take place after the two-day ASEAN Ministerial Meeting.

Permanent Foreign Secretary MR Thep Thewakun said last night that the meeting yesterday had worked out the ARF agendas for discussion and prepared a draft chairman's statement to be issued after the one-day official ARF meeting.

He said ASEAN officials maintained that their respective countries had to take part in all discussions and decision-making relating to the forum's cooperative activities.

Each working group would have an ASEAN country as its co-chair to guarantee ASEAN participation and consultation in ARF activities. It also signified that ASEAN will remain the core of the forum, which was initiated by the Southeast Asian grouping.

Eighteen countries and the European Union will participate in the ARF the seven ASEAN members (including Vietnam which will become a member tomorrow), the three ASEAN observers — Cambodia, Laos and Papua New Guinea — and ASEAN's dialogue and consultative partners.

ARF officials agreed at a meeting in May to recommend the establishment of the three working groups to their ministers, saying the move would constitute progress and transform the forum from just a talk shop into an action group.

However, they agreed that the ARF should evolve gradually from the initial stage of confidence building, towards preventive diplomacy and eventually conflict resolution — an evolution along the United Nations' Agenda for Peace.

Other recommendations included the convening of inter-sessional meetings of ASEAN officials and academics to further explore potential areas of cooperation on security matters.

During yesterday's meeting, ASEAN officials reaffirmed their position to see ASEAN remain the core of the ARF and advocated "a non-confrontational approach" given the diverse interests and security concepts of its members — which have political doctrines ranging from democratic, to authoritarian and communist hardline.

They also reinstated a previous agreement on the criteria for ARF membership — members must be either members, observers or dialogue partners of ASEAN. Burma, which will accede to the 1976 ASEAN Treaty of Amity and Cooperation in Southeast Asia later this week, will become an ARF member when it becomes

an ASEAN observer to the next meeting of ASEAN foreign ministers in Indonesia in 1996.

#### **ASEAN Said Cautious on Burmese Admission**

*BK2707114695 Bangkok BANGKOK POST in English 26 Jul 95 p 6*

[Report by Suphaphon Kanwerayothin and Phanrawi Tansuphaphon from Bandar Seri Begawan]

[FBIS Transcribed Text] The Association of Southeast Asian Nations will play it cool with Burma. It will leave the door open for Burma's involvement in the group but will not commit itself to quick admission of the country ruled by widely reviled junta.

Burmese Foreign Minister Ohn Gyaw, who will be attending the annual ASEAN foreign ministers' meeting here as "guest of the host" for the second consecutive year, is expected to present the "instrument of accession" to the Treaty of Amity and Cooperation this Friday, when he meets ASEAN chairman Brunei Foreign Minister Prince Mohamed Bolkiah.

But ASEAN will not be granting Burma automatic observership.

ASEAN does not want to hurry in embracing Burma, since the recent release of Burmese dissident leader Aung San Suu Kyi has just opened a floodgate of other political problems in Burma.

Freeing Mrs Suu Kyi, who the junta kept under house arrest for six years, is a "constructive sign", but no one can read Burma's future, according to M.R. Thep Thewakun, permanent secretary for foreign affairs.

"We are sure the constructive engagement policy (that ASEAN has applied to Burma since 1988) is good, but whether it played a role in bringing about Mrs. Suu Kyi's release, we are not so sure," M.R. Thep said when asked how ASEAN assessed this policy which goes against the western view favouring pressure and sanctions against Burma.

At their meeting on Monday to lay the groundwork for the ministerial conference which starts this weekend, senior ASEAN officials welcomed recent developments in Burma in particular the release of Mrs. Suu Kyi and Burma's accession to the Treaty of Amity and Cooperation.

"With Burma's accession to the treaty, ASEAN offers the possibility for it to be an observer at future ASEAN ministerial meetings. If Burma has shown the wish, I don't see why we should not let them in," M.R. Thep said on Monday night.



After acceding to the treaty Burma is on track toward being an ASEAN observer, a status held by Laos.

As an observer Burma can take part in the ASEAN Regional Forum, a vehicle for security dialogue that brings ASEAN and its observers face to face with major world powers such as the US, China and Japan.

Vietnam has been an observer for the last two years and will be admitted as a full member on Friday, joining Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Also this Friday, ASEAN will welcome Cambodia as an observer.

M.R. Thep recalled that Thailand first suggested the idea of Burma getting involved in ASEAN in the 1970s, an offer Rangoon then declined, stating it wanted to be independent and neutral.

Burma resigned from the Non-Aligned Movement some time ago, stating the group was no longer non-aligned.

According to Mr Ohn Gyaw, the instrument of accession is a letter he signed which he described as the "declaration of what each government will do to accede to the treaty".

ASEAN officials stressed that accession to the so-called Bali Treaty does not guarantee automatic observer status.

"Observer status is not related to the treaty accession. After accession, there is yet another procedure of application to be an observer which ASEAN needs to consider," an ASEAN diplomat said.

But in an interview with the Bangkok Post earlier this month in Rangoon, Mr Ohn Gyaw pointed to the case of Cambodia.

"I will hand over my accession instruments to the chairman, who will then take over the procedure. For example, as far as I know, Cambodia has presented this instrument of accession and then, in Brunei Cambodia will become an observer," he said.

ASEAN foreign ministers are expected to voice concern over nuclear test activities, but they will stop short of mentioning China and France or any other country.

Work is under way to finalise the draft declaration for the Southeast Asia Nuclear Weapons Free Zone, which ASEAN plans to unveil at its 'leaders' summit in December in Bangkok.

### Indonesia Appointed as Spokesman

BK2707062995 Bangkok THE NATION in English  
27 Jul 95 pp A1, A2

[Report by Kunlachada Chaiphiphat]

[FBIS Transcribed Text] Bandar Seri Begawan — Indonesia was yesterday appointed to speak for ASEAN on the admission of Burma into the regional organization and coordinate the ministerial-level consultative meeting with China this Sunday.

The appointment was announced at the plenary meeting of the 28th ASEAN Standing Committee [ASC], chaired by Brunei's Foreign Minister Prince Mohamed Bolkiah.

An informed source said Indonesia was at first reluctant to accept both tasks, but was prevailed upon by other members.

Indonesia's director general of ASEAN affairs, Rahardjo Jamtomo, told a press conference that Jakarta supports Burma joining the regional grouping.

Rangoon will be accorded observer status next year and he expects Rangoon to be granted full membership in two or three years.

Burmese Foreign Minister U Ohn Gyaw will attend the ASEAN Ministerial Meeting, which begins on Saturday, as guest of the host country.

Ohn Gyaw is due today and will bring with him the "instrument of accession" to ASEAN's 1976 Treaty of Amity and Cooperation in Southeast Asia, which he will hand to ASC chairman Bolkiah, Jamtomo said.

ASEAN members have welcomed Burma's accession to the treaty and agreed that the country be granted observer status at next year's ASEAN Ministerial Meeting in Jakarta.

Singapore reportedly shares Indonesia's view of Burma's future membership, but Bangkok, anxious over bilateral problems with Burma, has so far been reluctant to say when Burma should become a full member.

The procedure under which Burma would become a member will be the subject of future debate, a source said. "There is a procedure, but not all countries will necessarily spend the same waiting period once they have become accredited observers," he said.

This could be a burning issue between ASEAN and Western dialogue partners which are still pressing for the further isolation of Burma as a means of bringing about democratic change.



Vietnam will become a full member at this meeting, two years after being accredited as an observer. Cambodia acceded to the 1976 Bali treaty earlier this year, and will be accepted as an observer at Friday's ministerial session.

The sixth ASEAN Standing Committee meeting was held to review the organization's internal and external activities during the past year — the final report to be forwarded for consideration by ASEAN foreign ministers when they meet on Saturday.

In his speech closing the ASC meeting, Jamtomo welcomed the admission of Vietnam as ASEAN's seventh member and the acceptance of Cambodia as an observer, but made no mention of Burma's plan to sign the instrument of accession to the Bali treaty.

"In two days' time, we will witness landmark developments that are important for the future of ASEAN cooperation namely the official admission of Vietnam into ASEAN and the acceptance of Cambodia as an observer," Jamtomo said.

These two historic developments will accelerate the realization of the founders' dream, to build an ASEAN that groups all 10 Southeast Asian states.

"This will beyond question enhance and further consolidate ASEAN and raise its international status and standing," he said.

Indonesia, host of the 29th ASEAN Ministerial Meeting and ASEAN Economic Ministerial Meeting next year, will assume chairmanship of the Standing Committee from Brunei.

Jamtomo made particular note of the ministerial-level ASEAN-China consultative meeting when referring to the organization's achievements in his closing address.

Indonesia has good relations with both Burma and China. Foreign Minister Ali Alatas this month made his first trip to China since the resumption of diplomatic relations in 1990. He said Beijing wants greater cooperation with ASEAN and does not want to undermine the present good relations.

#### **Indonesia's Alatas on Burma**

*BK2707125495 Jakarta ANTARA in Indonesian  
1138 GMT 27 Jul 95*

[FBIS Translated Excerpt] Bandar Seri Begawan, 27 Jul (ANTARA) — Burma's internal political problems will not become an obstacle for that country to accede to the Treaty of Amity and Cooperation (TAC), Foreign Minister Ali Alatas said. "[Words indistinct]," he told reporters upon arrival at Bandar Seri Begawan Airport,

Brunei Darussalam on Thursday evening to attend the 28th ASEAN ministerial meeting (AMM).

Burma, who is a guest at the AMM, has applied for accession into the TAC. According to Burmese Foreign Minister Ohn Gyaw, Burma submitted its application for accession into the TAC [words indistinct] on Thursday evening.

"Burma needs to meet certain procedures to become an observer in ASEAN. I cannot predict when Burma will be accepted as an observer," Alatas said in reply to a question on whether it may take Burma a long time to become an observer.

According to Alatas, all ASEAN members individually or collectively are very happy over the Burmese Government's decision to release pro-democracy leader Aung San Suu Kyi.

He said the move reflected Burma's efforts to undertake political, economic, and social reforms. [passage omitted]

When asked to comment on the unresolved Bosnian issue and the Malaysian Government's demand that the UN secretary general resign for his failure to overcome the issue, Alatas said Indonesia as a member of the Nonaligned Movement and the Organization of Islamic Conference, has a clear position on the matter.

"We condemn what is taking place in Bosnia-Herzegovina — ethnic cleansing and the killing of Unprofor [United Nations Protection Force] members. We also condemn attacks against safe havens there," he said.

He expressed his deep regret over the inability of big powers and the UN Security Council to take effective action to end the aggression and the massacre of civilians there.

"If the international community is no longer able to protect the people who have become the victims of the aggression, they should be at least given the right to defend themselves, as provided for in Article 51 of the UN Charter," he stated.

Regarding Malaysia's demand that the UN secretary general resign, Alatas said: "I think we must know that the UN secretary general cannot work effectively as expected by UN members. He cannot work effectively as he wants to."

"We all are part of the United Nations and the UN secretary general is the highest administrative officer of the United Nations. Accordingly, whether or not the UN secretary general can work effectively depends on what



he gets from big countries which have certain political interests," he added.

He said that he used to work at the UN Headquarters for a long time. According to him, the UN secretary general as well as other UN officials are facing (?various) difficulties.

#### **Amity, Cooperation Treaty Issue**

*BK2707100895 Kuala Lumpur Voice of Malaysia  
in English 0800 GMT 27 Jul 95*

[FBIS Transcribed Text] ASEAN foreign ministers have begun arriving in Brunei for a historic annual ministerial gathering in which Vietnam will take its seat at the conference table for the first time as a full member. The admission of the communist state as the seventh member of ASEAN in a formal ceremony tomorrow, has been warmly hailed by the regional grouping which last held such a ceremony for Brunei in 1984.

Another significant subject in the two-day 28th ASEAN Ministerial Meeting, AMM, under the chairmanship of Brunei Foreign Minister Prince Mohamed Bolkiah beginning on Saturday is ready to make Myanmar [Burma] an observer. [sentence as heard]

Myanmar's Foreign Minister Ohn Gyaw flies in today bearing his government's intent to accede to the Treaty of Amity and Cooperation in Southeast Asia. This will take Myanmar a step closer toward ASEAN membership.

Senior officials of the grouping yesterday put the finishing touches to a special statement on Bosnia, and the draft joint communique for the AMM. The communique highlights the acceleration toward the ASEAN Free Trade Area, ASEAN's approach to the proposed East Asia Economic Caucus, and Asia Pacific Economic Cooperation Forum, and on the security sides, the South China Sea conflict.

#### **Asia-Europe Meeting Participants, Schedule Noted**

*BK2607123795 Bangkok THE NATION in English  
26 Jul 95 pp B1, B2*

[Report by Kunlachada Chaiphiphat and Marisa Chimprapha]

[FBIS Transcribed Text] Bandar Seri Begawan — Potential participants in an Asia-Europe Meeting proposed to be held next March in Bangkok have resolved questions regarding the composition of the meeting and agreed to meet informally here during the ASEAN Ministerial Meetings.

The informal meeting would be held to discuss the preparation of their leaders' summit, an informed source said.

The potential participants included the six ASEAN states and would-be ASEAN member Vietnam, as well as Japan, South Korea and China from the Asian side, and 15 EU members.

A tentative schedule was set on Sunday to discuss the preparation for the summit, the sources said.

All ministers of the non-ASEAN states participating would each have a bilateral session with their ASEAN counterparts at the ASEAN ministerial meeting, due to begin Saturday.

The proposed Asia-Europe Meeting (AEM) would also be among the topics of discussion between ASEAN foreign ministers and their EU counterparts when they meet later next week during the Post Ministerial Conference, which usually follows ASEAN foreign ministers' meetings and ASEAN Regional Forums.

The EU, Japan and South Korea are among seven ASEAN dialogue countries which would have annual consultations with ASEAN and a further meeting every eighteen months. China is ASEAN's most important consultative partner.

ASEAN Director General Sukhum Ratsamithat, and ASEAN and EU officials have already agreed to establish an advisory group to draw up a report on cooperations between Asia and the EU for the AEM scheduled for next March, Sukhum said.

Sukhum said the so-called Eminent Persons Group [EPG] to study the prospects of economic cooperation would comprise an expert from each of the ASEAN states and Vietnam, which is to join the association, plus four delegates from EU members and one each from China, Japan and South Korea.

Thailand would be represented by former foreign ministry permanent secretary Witthaya Wetchachiwa, the senior official said.

He said the group would hold the first of the four-series meeting in Singapore to explore venues of cooperation between Asia-Pacific countries and the European Union and ways of increasing and expanding the cooperation. It has been recommended to finalize its report before the scheduled AES [Asia-Europe Summit] meeting in March.

The finding of the EPG group would be used as a guideline and input for ASEAN and EU leaders when they meet. The EPG group was drawn from the model and functions of the Asia Pacific Economic Cooperation



forum's EPC [Economic Policy Committee] advisory group, which was set up to advise the forum on the direction and potential of cooperation among Apec members.

At their preparatory meeting on Monday, ASEAN officials discussed various aspects of the AEM, including the agenda and participation.

Malaysia, mainly due to its anxiety over the East Asian Economic Caucus, had opposed Japan's proposal to include Australia and New Zealand in the AEM meeting, but has now dropped it. Thailand also dropped an earlier proposal to include Laos and Cambodia.

Singapore is the main driving force behind the AEM meeting, which was proposed last year and agreed upon by ASEAN leaders. They reasoned that the AEM meeting would be vital to boost declining European investment and trade with booming East Asia and Japan.

The meeting would complete triangular links between East Asia, Europe and North America. North America, especially the EU's major trading partner, the United States, has links with Asia through APEC.



## Japan

### Article Views Construction Agreement With U.S.

OW2607141095 Tokyo KYODO in English  
1354 GMT 26 Jul 95

[FBIS Transcribed Text] Tokyo, July 26 KYODO — The United States said Wednesday [26 July] that Japan may be skirting public-works bid disclosure rules by breaking up bid data into units below a reporting threshold, Japanese officials said.

In the first of two days' review of a construction agreement under a bilateral trade "framework," U.S. officials criticized the division of bid consulting contracts into such categories as basic design, detailed design and design implementation, the officials told reporters.

They quoted the U.S. side as suspecting Japan may be trying to avoid the disclosure minimum of 730 million yen at current exchange rates under the January 1994 agreement.

A U.S. official said before the talks that procedural problems were likely to emerge, but she and other U.S. officials could not be reached after the day's session.

The U.S. side also expressed displeasure with a lack of uniform reporting on Japanese local governments' public works bidding, the Japanese officials said.

Japan explained its plan to implement the construction accord and provided data on the number and value of successful foreign bids for government construction projects, they said.

The talks on fiscal 1994 data are the first of six annual reviews of the agreement, which introduced open bidding to projects by the central and local governments and 84 public corporations.

The chief U.S. delegate is Marjory Searing, deputy assistant commerce secretary for Japan. Heading the Japanese side are Shinichi Nishimiya, head of the Foreign Ministry's Second North America Division, and Makoto Taketoshi, head of the Construction Ministry's Construction Contractors Division.

### PHS Company Issue in Talks With U.S. Viewed

OW2607135795 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 23 Jul 95 Morning Edition p 7

[FBIS Translated Text] In the follow-up review held under the Japan-U.S. agreement on Nippon Telegraph and Telephone Corporation's (NTT) procurement of foreign materials, it was decided that government-level talks should be held in the fall to discuss the matter of how to treat NTT's portable handy phone system (PHS) company. PHS is a telephone system developed by

Japan that could be the first Japanese-developed phone to become a "world standard." There is a possibility that it can be a new seed of trouble leading to Japan-U.S. trade friction. However, NTT does not appear to be taking it as too big a problem, with some (executives) even saying if the Japan-U.S. agreement comes to be applied to the company, it will prove "using cheap foreign products helps business."

The point of contention in the follow-up review this time was whether "the agreement on NTT's procurement" should be applied to NTT Personal Network, which is an NTT company in the PHS business. The agreement, which went into effect in 1980, provides a system to make foreign makers' access to NTT easy by requiring NTT to make advance announcement on specifications of products to be procured. NTT's procurements of foreign products have continued to grow by two-digit numbers for the past several years, and the U.S. Government has called it an "effective agreement."

NTT thinks Personal Network should not be subject to the agreement, with its President Masashi Kojima saying: "Personal is a private enterprise in which many companies without any connections to NTT have invested." And this matter is not even on the agenda of the next regular executives' meeting on 24 July.

With NTT itself owning 27 percent of Personal's shares and the NTT subsidiary, NTT Mobile Communication Network (NTT DoCoMo), owning 47-48 percent, the U.S. Government does not regard Personal as an independent company. The reason NTT is calm despite this situation is that it believes NTT Personal will not become a unilateral "victim" even if it does become subject to the agreement.

The PHS industry has gone into a price war immediately upon the beginning of its service. It is already in a state wherein companies involved cannot make ends meet unless they cut costs. Personal is now considering using U.S. products on part of its antennas. After all, the expanded procurement from overseas is a natural flow of the trend. In view of the fact that NTT procurements are growing steadily, it is likely that Personal's overseas procurements will grow regardless of what happens to the agreement.



### Tokyo's 'Tough Stand' in Trade Dispute Viewed

OW2707093495 Tokyo SHUKAN DAIYAMONDO  
in Japanese 24 Jun 95 pp 102-106

[Article by Hideki Takabayashi and Kenji Mori of SHUKAN DAIYAMONDO: "Japan-U.S. Economic War — Bellicosity Leads to Catastrophe"]

[FBIS Translated Text] With regard to the Japan-U.S. autos and auto parts dispute, bilateral talks on U.S. policy to impose sanctions on Japan began in Geneva 12 June based on Japan's 17 May appeal to the WTO [World Trade Organization]. However, the United States is more or less dodging it, and the negotiations appear to be facing rough going as expected.

The U.S. Government is expected to officially file a cross-complaint against the Japanese market's closed nature with the WTO (prefiling notification was submitted on 10 May) at the same time it will decide to implement sanctions on 28 June.

While filing complaints against each other with the WTO seems to be unavoidable, the Ministry of International Trade and Industry [MITI], firmly advocating "open war," shows no signs of easing its tough stand.

Determined to maintain its policy of firmly opposing "voluntary purchase plans" of foreign auto parts, MITI declares it has no intention of making any concessions nor a deal unless the U.S. Government withdraws its demands for the voluntary purchase plans.

In addition, MITI does not intend to discuss the auto issues at a meeting of Japanese and U.S. leaders prior to the Halifax summit. MITI persists in using the WTO and is in high spirits: "Japan will file a complaint against the unfairness and illegitimacy of unilateral sanctions, and this is an opportunity for Japan to crash the Trade Act's Section 301 (retaliation against unfair trade practices of trade partners)," according to a Japanese negotiator.

### The Grounds for Japan's Tough Stand of Being Ready for "Open War"

What are the basis for such a tough Japanese attitude? Roughly speaking, there are three reasons.

First, Japan estimates the WTO framework will not collapse just because of this dispute. It calculates that "U.S. withdrawal from the WTO is like denying its own policy" since its membership in the WTO was realized after President Bill Clinton persuaded a reluctant Congress.

Incidentally, the U.S. Congress required the "three strike system" — the United States will leave the WTO after three disadvantageous WTO decisions against it — as a condition upon joining the WTO. Nonetheless,

a possibility cannot be denied that there will be an argument that one ruling corresponds to three decisions in the case of the auto dispute because it is the biggest issue between the United States and Japan.

Second, and this is the strongest logic of the Japanese negotiators, there is a deep-rooted sense of crisis among bureaucrats that accepting U.S. demands this time means not only Japan will lose its trade policy's independence but it will lead to a question of Japan's sovereignty.

As a matter of fact, when former President George Bush visited Japan with the management of the Big Three in January 1992, Japanese automakers decided that "the private sector will voluntarily" make efforts to buy \$19 billion worth of autos and auto parts as a "voluntary purchase plan." However, the U.S. took this as a "promise," and Japan is again requested "to promise to purchase more than \$19 billion worth of products."

In other words, the feeling that "why was the purchase plan \$19 billion at the time of Bush, but zero for Clinton" underlies the U.S. claim.

In contrast, Japan's real feeling is that "where is our sovereignty when a purchase plan submitted as goodwill is taken as a promise and we face the threat of sanctions if we cannot meet the plan." That is, U.S. demands to be repeated in this way means there will be a third and fourth recurrence of this in the future, and each time will be the repetition of "come up with numerical targets, or sanctions will be imposed."

In other words, the purpose of U.S. requests could be regarded as having Japan submit a plan and check its achievement. This means the establishment of a system for "the United States to control Japanese companies."

The strongest grounds for the Japanese negotiators' argument is: "Japan does not have political power. So, it has to act in accordance with global rules. Japan will accept nine out of 10 U.S. Government demands. It will also carry out deregulation. However, there will be just one case that Japan will find hard to agree to, and such was the recent case." The reason is that a system to control Japanese firms will be established if Japan complies with U.S. requests now.

Third, bureaucrats who perceive the nature of the issue as the above have become influential within MITI since around 1993, and they have also increased their influence on the Ministry of Foreign Affairs and other ministries. Within MITI, there is a faction seeking harmony with the United States, and a faction attaching greater importance to domestic affairs, and not a few people regard the dismissal of Masahisa Naito, former director general of the Industrial Policy Bureau, as



a coup d'etat by the domestic-oriented faction. By having Ryutarō Hashimoto, a suitable "leading actor," as minister, the "bellicosity," which began to show itself after this incident two years ago, has come to appear on center stage.

In this way, Japan has chosen a strategy to call only the United States' unilateral sanction procedures based on Section 301 into question so that a WTO decision will come out more quickly.

#### **Lack of Control Due to Broken-Off Information Channels**

On the other hand, U.S. Trade Representative [USTR] Mickey Kantor asserts, "there will be no agreement unless Japan expands" its voluntary purchase plans. Laura Tyson, chair of the NEC (National Economic Council) who has full authority concerning economic issues under the Clinton administration, reportedly said, "There are almost no forces opposing what we are doing," even at this point after a public hearing was held based on Section 301 procedures.

For Kantor, who has an eye on the chairmanship of Clinton's reelection committee, big constituency in the key electoral states of the midwest is the most important strategic point. The priority of California, where Japanese automakers are lobbying and campaigning very hard, has already declined. The characteristic of the current auto dispute is that the government has to deal with the midwest, where auto parts makers and Chrysler of the Big Three are located, and the UAW (United Automobile Workers) at the same time.

In the United States, a president is said to start his campaign for the next election right after his inauguration, and Clinton is so eager to be reelected that he has a team specialized in opinion polls, checking the voters reactions. He knows very well that if he yields to Japan's counterattack now, he will be labeled a coward and subjected to the humiliation of failing to win the Democratic nomination for president. So Kantor howls to get results so that no one will run against Clinton within the Democratic Party.

Mutual distrust between the two nations expanded at once when Japan said "no" when former Prime Minister Morihiro Hosokawa visited the United States in February 1994. By this, the channels for an exchange of actual intentions with Washington was broken off (not restored even now), and now Japan can communicate with the United States only at the level of official policy.

Speaking of the current auto trade dispute, as a matter of fact, there was a different alternative for Japan.

Up front, Japan could have discussed the issues of completed car certification and deregulation with the U.S. Government, while, on the backstage, they could have worked out a compromise based on their actual intentions, with the private sector's help — "the rule of right" in trade diplomacy.

However, the existence of strong channels for an exchange of actual intentions based on mutual trust is a precondition for such a settlement to be possible. The coup d'etat within MITI only meant that it has cut away its own information channel, and there was only "the rule of might" left as the choice.

As a result of the two countries discussing what is "theology" in public by the actors who put on an impressive show to be popular, it became impossible to settle the matter wisely, and now there are even chances for a worst scenario in which the dispute may spark repercussions in Japan-U.S. security ties.

Europe has profited from this confrontation between Japan and the United States. European nations will gain a considerable portion of what Japan is going to lose in the U.S. luxury car market, and they will also have an advantage over other WTO members in terms of policy. A situation you could not ask to be better.

At any rate, the future of Japan-U.S. relations is unpredictable because the two countries' honeymoon has ended, and the WTO's decision on the sanction issue — the United States is expected to lose by all accounts — is likely to be given during the presidential election.

MITI, advocating "open war," is now preparing a list of Japanese sanctions to counter U.S. sanctions. For example, there is a list called "California Hit" to directly hit employment on the west coast. However, this strategy does not seem to be as thoroughly worked out as one that has assessed what kind of reaction Japan's countersanctions will cause in the U.S., whether it will be as effective as planned (California is no longer at the top of the Clinton administration's priority list since it thinks it cannot win there), and the risk of the global trade system's collapse.

Japan appears to be advocating "bellicosity" without any control. Can Japan really promote deregulation — where domestic political forces and obstacles are intricately intertwined — in a way convincing to the world? Can Japan promote its strategy to make friends in Asia?

Unless such a comprehensive strategy is carried out "solemnly," Japan's recent move is very likely to not only hurt private enterprises in terms of profit but also spark repercussions and cause confusion in various fields.



So the themes of Japan-U.S. economic war by the private sector have also been examined.

#### **Auto Industry — Death of Luxury Car Dealerships**

"If we agreed to it [U.S. demands for voluntary plans], we would have to make a purchase plan for U.S.-made parts every year. If so, it is better to reject it, saying we cannot do what we cannot do, even at the expense of suffering from the sanctions," a car company executive says.

Amid the heated negotiations between Japan and the United States, Nissan Motor President Yoshifumi Tsuji, who serves as acting chairman of the Japan Automobile Manufacturers Association, Inc. in place of Toyota President Tasturo Toyoda who is ill, says defiantly: "In the parts purchase plan submitted in March last year, we made an effort to come up with a figure of 120 while we were really able to buy only 100. If we were to prepare a plan now, there is no way we could come up with the number 100."

All items in the \$5.9 billion preliminary sanction list will not necessarily remain in the final list to be decided on 28 June because an adjustment will be made by taking into account the scale of the repair parts market, and the U.S. share that is considered to be lost. If we take a look at the current list for proposed sanctions, for example, Nissan's Maxima, which is the sister car of the Infiniti I-30 (almost the same as the Cefiro sold in Japan) having many parts in common, is not on the list. This is because Maxima is sold by economy car dealerships while Infiniti is sold by luxury car dealerships. That is, the current sanctions are only aimed at crushing Japan's luxury car dealer networks.

Automobiles that cost more than \$40,000 are expected to be the target of sanctions finally, and cars such as Toyota's Lexus, Nissan's Infiniti, and Honda's Acura will remain on the list. All of them are sold under the luxury car dealer networks, which were established at the end of the eighties.

Models targeted this time are the key cars of these dealership channels. These networks handle fewer models than economy car dealers do, so the luxury car dealers do not have other models to replace their key models. In other words, Japanese automakers' new sales channels, which they invested enormous amounts of money in and established last, are facing the danger of extinction.

Nevertheless, the situation for individual companies vary in subtle ways. Mitsubishi Motors Corporation will suffer the least damage because it does not have a sales network specialized in luxury cars, and its Diamante, which is on the sanction list, is scheduled for a model change next year and is already the subject of inventory

clearance. Since all of its next new model will be exported from a factory in Australia, there will be no impact on it even if the sanctions are extended over a long period.

Nissan is also likely to escape serious damage.

The number of Infiniti dealers is the smallest among the three Japanese luxury car dealer networks, and they are having a difficult time in terms of management. To maintain the dealerships network, Nissan has to keep coming up with new models, and it has been exporting Cefiro — a model made for Japanese consumers — for this channel as a last resort to cope with the situation. Nissan's real feeling is that it wants to reduce the number of models to be developed to cut development expenses. One could have a penetrating insight that if the sanctions lasted a long time, it would give Nissan a good reason to retreat.

Although Honda Motor Co., Ltd. took the lead in setting up the luxury car dealerships by establishing a channel for Acura, it is having difficulty keeping its networks because its key model is becoming old and is in its last stage. Since Honda has been shifting its production to the United States, its shift to local production seems to be easy. However, how will it judge the reality that its shift to local production in the United States will lead to a lower rate of operation of its factories in Japan? Also, Honda has a strong sense of being expelled from the United States: It was demanded to leave from the American Automobile Manufacturers Association, and U.S. Customs claimed that its auto parts from a Canadian factory — though the situation turned out all right in the end — were not North American-made.

Toyota Motor Corp. would suffer the greatest damage. Toyota's earning rate is high among the three Japanese luxury car distribution networks, and its key model, Lexus, has just undergone a model change. If Toyota — the largest and strongest threat to the U.S. auto industry — is unable to maintain its luxury car dealerships, there could be a major impact on the overall establishment of Japanese car sales networks. However, MITI's request to be "solid" is not the only reason Japanese automakers defy U.S. demands even though their precious dealerships in the U.S. auto market are at stake.

If the purchase of foreign auto parts is decided in large quantities every year, it will hit the management of domestic keiretsu auto parts firms. This is the other reason. It is evident that Japanese automakers will have to choose between their U.S. dealerships or their domestic keiretsu auto parts companies.

Commenting on Japanese auto parts buyers, an engineer in one of the Big Three's auto parts sections trying to



find a market in Japan sighed: "They know nothing." This is because Japanese buyers do not have to know the details of auto parts since they entrust auto parts makers with the development. This "leave-it-to-you" system does not work with foreign auto parts makers. If this alliance collapses, the entire development system — the lifeline of auto companies — will change greatly.

There is one more point why Japanese automakers will not concede. One of the top Toyota executives said: "Asked if we could increase the amount of auto parts to be purchased purely in terms of capability, it is possible for Toyota, at least. However, we will never do so now because even if we decide to voluntarily add the number, it will be used politically."

The fact that Toyota Chairman Shoichiro Toyoda serves as chairman of Keidanren [Japan Federation of Economic Organizations] is also significant because this puts Toyota Motors in a position where it cannot steel a march on the others, and add the number of auto parts to be imported to seek profits. As chairman of Keidanren, however, Toyoda should understand very well that MITI's "bellicosity" is a double-edged sword in the long run.

#### **Electricity, Paper, Construction, Semiconductors — In Danger of Being Dragged Into Dispute**

The electricity procurement issue, first reported in the March 1994 USTR office report on foreign trade barriers, resulted from a wire company in Georgia, called Southwire, filing a complaint with the USTR that its products were run down as "not meeting the standards" and "not good in quality." Last September, a Japanese electric power company went to New Orleans to hold a procurement seminar and showed that it is making an effort. Although it was wise to make the first move, the result has not come out to an extent that Tokyo Electric Co., Ltd. could boast: "If there were any problems with the electricity industry's materials procurement, we would like to know about it."

Since Tokyo Electric's recognition is such, the understanding of eight other electric power firms may be more superficial. In spite of a large amount of investment in plants and equipment, the ratio of materials procurement from abroad is very small.

Tokyo Electric's, whose procurement ratio of foreign materials is the highest, purchase of foreign products only amounts to about 1-2 percent of the total of its plant investment and materials procurement worth 2.4 trillion yen. According to a USTR investigation, the scale of Tokyo Electric's procurement is giant and its contents are unclear. Newly appointed [USTR] Japan Division chief Siegle has paid close attention to

electricity materials procurement in Tokyo, and it is said that he is telling Kantor to take it up in 1996. It is the year of the presidential election, and the possibility that it will become a victim of the presidential campaign cannot be denied.

The paper industry is the first on the list of sectors that are likely to be targeted for sanctions this fall. There is some fear that unclear trade practices involving keiretsu wholesalers will become a suitable target of the USTR, which wants results.

The construction industry is another sector that is very likely to be dragged into the Japan-U.S. dispute since the Clinton administration is trying to get results. In late June, the January 1994 Japan-U.S. construction agreement on bidding and contract system for public works will be "reviewed."

(Asked to comment on the talk that the construction industry will become an issue between the two governments), Kenji Maeda, chairman of the Japan Federation of Construction Constructors, Inc., answered: "Is that so? I think Japan's market is opened a lot." In fact, the liberation of Japan's construction market has progressed as a result of the construction talks held so far. In the six years since 1988, public works for government agencies contracted by foreign firms have amounted to 120 billion yen.

However, this figure is tiny in the light of overall public works. Also, the number of works contracted by foreign contractors has declined because the special measures to treat foreign firms favorably have expired, and the opening of the construction market by local governments has not progressed. Because of this, and the fact that it is easy for the construction sector to become a political issue, a problem may arise unexpectedly.

The market share of semiconductors has almost reached the "effort target" of 20 percent, but the employment of more hard-line measures has been confirmed this spring with an eye on the review of the semiconductor accord in July 1996.

#### **Determination and Responsibility for Bellicosity Questioned**

Civil aviation negotiations is different from those industries discussed so far because Japan's struggle for securing its own rights against the vested rights of the United States underlies the talks.

The 1952 Japan-U.S. Civil Aviation Treaty concluded during the Korean war reflects the state of affairs in Japan at that time: passenger demand was basically Americans, and Japan's role was expected to be the



gateway to Asia due to such aircraft performance limits as cruising range. Its remains is what is being disputed now: the "beyond rights." While aircraft cruising range has become greater, flying to Asia via Japan enables U.S. airlines to pick up Japanese passengers who would pay in yen. So they are making the most out of this as their vested right, which brings them a valuable profit under the strong yen.

In reality, although the Japanese Government has prevented the number of U.S. flights to be approved as much as possible citing the constraints of airport capacity as the reason, there is still an imbalance of transport volume: the U.S. volume is twice as large as Japan's. The direct cause of the current Japan-U.S. air dispute is the fact that Federal Express — the largest air cargo company (which holds beyond rights and is close to the Clinton administration) — has demanded a new route to its hub in Asia — the former U.S. base in the Philippines — from Japan to pick up Japanese cargo. However, the issue is deep-rooted.

The Transportation Ministry thinks it has to protect its own airline companies from the United States' overwhelming supply capability. There is the case of France, which scrapped its treaty with the United States, and there is the example of England, which succeeded in amending the treaty to its advantage. As for Japan Airlines, which has huge deficit-ridden Pacific routes, limiting the number of U.S. airlines' routes is desirable, but the problem is that it may be against the profit of users. Targeting that point and trying to expand its rights, the United States seeks the liberation of civil aviation, called "open skies," as its final goal. Just as in the rice case, the United States is hoping for this liberation after a certain moratorium.

Viewed in this way, the fact that MITI employed "bellicosity" in the auto dispute is, as a MITI official said, "not just a question of automobiles, not just an issue of trade friction, and not just a transitory problem." The U.S. Government's demands, which seem to be "unreasonable," is the very result of Japan's trade surplus, which has become "unreasonable."

If Japan is going to develop "bellicosity" at the risk of the WTO's collapse and Japan's security, there is a need for determination and leadership to destroy the barriers (to exercise the very bellicosity within Japan) of regulations and trade practices that are deep-rooted in Japan. The question is whether MITI and the Japanese Government have such an ability.

#### **Takemura on WTO, Budget Growth, Nuclear Test**

*OW2607134695 Tokyo ASAHI SHIMBUN NEWS*

*CONFERENCE REPORT in Japanese*

*1040 GMT 26 Jul 95*

[News conference by Finance Minister Masayoshi Takemura with unidentified reporters at a Ministry of Finance conference room at 0800-0816 GMT on 26 July]

[FBIS Translated Excerpt] [Passage omitted] [Reporter] There is a report that talks on financial services under the World Trade Organization [WTO] will come to a conclusion without the United States' consent. What do you think?

[Takemura] I don't think I can say the issue has been settled. However, as this is a very important issue even within the WTO, Japan is essentially making efforts to consolidate views from a broad perspective with the United States' position in mind. I recognize the talks are moving toward that direction.

[Reporter] As for a defense budget growth rate, the Liberal Democratic Party [LDP] reportedly hopes to set a growth rate at 4.1 percent. What is your view?

[Takemura] To be more exact, at an LDP panel session today, the Defense Agency [DA], as an agency allowed to call for a defense budget, reportedly proposed a hike in the budget by giving figures of 4.1 percent. Although opinions were expressed on the defense budget in the election campaign, we want to continue to put finishing touches on this issue in coordination with the LDP and other organs. The ministry has to compile the defense budget by taking into consideration an increase in appropriations for such items as personnel expenses, provisions expenses, and budgetary spending. I am not sure to what extent we can come up with the final figures as a whole.

However, as the world is also moving toward disarmament, I think we have to come to grips with this issue from a standpoint in keeping with that trend while also fully taking into consideration financial conditions.

[Reporter] How do you want to give impetus to Japan's move protesting France's nuclear test, which you proposed during the election campaign?

[Takemura] Honestly speaking, as a bombed nation the government feels strong anger, particularly at France's decision to conduct a nuclear test in a corner of the Pacific. We hope France will reconsider its decision. As for me, I proposed to adopt a Diet resolution during the election campaign. Now, I am making efforts to propose at the next Diet session a resolution to the effect that nuclear nations should not conduct a nuclear test, which of course includes any tests in the South Pacific



by the French Government. The three ruling parties have agreed in principle to act in unison in that direction. [passage omitted]

#### **PRC Urges Cautious Approach Toward Taiwan**

OW2607085595 Tokyo KYODO in English  
0832 GMT 26 Jul 95

[FBIS Transcribed Text] Tokyo, July 26 KYODO — The head of the China-Japan Friendship Association, Sun Pinghua, urged Prime Minister Tomiichi Murayama on Wednesday [26 July] to avoid following in the tracks of recent U.S. policy toward Taiwan.

"Sino-U.S. relations are in a difficult state," he said in a meeting with Murayama at the Prime Minister's Official Residence. "We would be distressed if our relations with Japan took a turn that way."

Washington's granting Taiwanese President Li Teng-hui an entry visa for a private visit in June has strained bilateral ties between the U.S. and China.

In response to Sun's remarks, Murayama reaffirmed Tokyo's policy to further expand longstanding ties with China. "This will not only benefit China but also the entire Asia-Pacific (region)," he said.

Beijing, which views Taiwan as a rebel-held province with no right of self-government, has tried to isolate the island politically, but does not oppose economic and cultural exchanges.

Li has voiced interest in attending a summit of the Asia-Pacific Economic Cooperation (APEC) forum in Osaka in November, but Tokyo has said it will follow the precedent of previous summits where Taiwan was represented by economic officials.

Sun said Murayama's visiting the Marco Polo bridge during a trip to China in May had been greatly appreciated by the Chinese people since it showed that the prime minister had a "correct historic awareness."

The Marco Polo bridge incident, a skirmish between Japanese and Chinese forces in July 1937, set off the Sino-Japanese war. Murayama was the first Japanese premier to visit the bridge.

#### **Fourth Yen-Denominated Loan to China Discussed**

952A0596A Tokyo ZAIKAI TEMBO in Japanese  
Jun 95 pp 130-133

[Article by Naoki Aoki, journalist: "Two Factions Within Chinese Leadership Have Their Eyes on 1.5 Tril-

lion Yen in Sino-Japanese Money; Numerous Environmental Projects, Legacy of Takeshita"]

[FBIS Translated Text] Yen-denominated loans to China have acted as a morale boost to the rapidly growing Chinese economy. And next year's fourth yen-denominated loan promises to be the largest ever. But where exactly is all this Japanese money going?

Last November before Prime Minister Murayama's state visit to China, Japanese and Chinese Government officials announced a fourth yen-denominated loan to begin in 1996. For Japan's Foreign Ministry, the prime minister's state visit was strictly ceremonial. The real intention of Murayama's visit should be to express a consistent diplomatic stance that the purpose of the yen-denominated loans is to assist in the reform and liberalization of the Chinese economy.

The fourth yen-denominated loan will total 580 billion yen during the first three-year phase from 1996 to 1998. The amount for the second phase, a two-year period from 1999 to 2000, has yet to be determined. Chinese officials, however, originally requested 1.5 trillion for the entire five-year period. It seems inevitable that the amount will be increased in the two-year second phase.

Some officials in the Foreign Ministry would like to decline ODA [official development assistance] requests as a means of restraining the Chinese Government, which in recent years has been pushing forward with nuclear testing and interfering in relations between Japan and Taiwan. A Foreign Ministry official in the Asian Affairs Bureau claims that it is Japan's only diplomatic card. 'We have always shelled out more money in the second phase of ODA to China. During the second phase, the voice of Japanese politicians will be heard, as in the case of domestic public works projects. Sino-Japanese friendship is just an excuse given to the Japanese public,' an official in charge of Chinese ODA at MITI states resignedly. 'In the end politicians in both countries will use this money to serve their own interests and ensure capital flow.'

The following is a brief list of the yen-denominated loans to China:

- 1st loan (1980-4): 330.9 billion yen. Prime Minister Masayoshi Ohira-Premier Zhao Ziyang;
- 2d loan (1984-90): 470 billion yen. Prime Minister Yasuhiro Nakasone-General Secretary Zhao Ziyang;
- 3d loan (1990-1995): 810 billion yen. Prime Minister Noboru Takeshita-Premier Li Peng.

The amount for all three loans combined exceeded 1.61 trillion yen. China, which needs huge amounts



of foreign capital for Deng Xiaoping's reform plan, has used Japanese ODA to expand and upgrade its urban infrastructure. The infusion of foreign capital into China, with the exception of Japan, has not been as sizable as once expected. And since China has no source of domestic capital, it is safe to say that Japanese money has fueled Chinese modernization.

### **Chinese Officials' Hopes Tied to Loan**

What are the details of the fourth yen-denominated loan and the aims of Chinese officials?

During the Hosokawa administration, the Japanese Government changed the payment method for Chinese ODA, from one lump sum for a five-to-seven-year period to a two-phase system. The intent was to restrain Chinese undemocratic behavior both at home and abroad.

There are 40 items in the first phase of the upcoming loan, including:

- Fifteen environmental projects such as those to curb air pollution appear for the first time.

The details have not been worked out, but an official in the economic cooperation bureau at the Japanese Foreign Ministry says they will promote the coexistence of environmental protection and economic development. The contents fall far short of this ideal because only new plants will be targeted under the policies. Existing plants, the source of the acid rain problem, will not be targeted.

%Thirty-three infrastructure projects to install dams and telephone lines in interior provinces and minority regions.

Because China cannot expect the infusion of private domestic capital, it is not able to make a profit on a commercial basis. For this reason, the central government carries that investment as a deficit.

Most noteworthy are: %Projects to expand Beijing and Shanghai airports and build a high-speed rail line between the two cities, using the yen loans.

The day is approaching when supreme leader Deng Xiaoping will no longer be alive. One after another, senior leaders from his generation, such as Chen Yun, have been added to the register of the dead. The regime of Jiang Zemin, far from being that of a strongman conquering the realm on horseback, is a small affair centered around technocrats. On the other hand, over the past 15 years of economic reform and liberalization, it has raised the level of economic activity gradually and encouraged regional decentralization. Central control from Beijing has been rapidly diminishing.

This is symbolized by the southern group, centered on the coastal provinces of Guangdong and Fujian. Guangdong Province, in particular, under the rule of former provincial Governor Ye Xuanping, the don of Guangzhou, has withheld 90 percent of the tax revenues. Payment of taxes to the central government in Beijing has all but ceased.

During the past 15 years, most of the infusion of capital from Hong Kong and Macao has been concentrated in Guangdong Province. Japanese corporations like Canon have also been expanding their operations in the province's special economic zones such as Shenzhen and Zhuhai. As a result, per capita income in the province is 10-20 times that of the surrounding provinces. It has made the complete transformation to a capitalist economy.

Supported by its economic clout, Guangdong has been moving toward independence. In response, Jiang Zemin and the central government in Beijing have been using Shanghai as a counterweight.

The central government has been using its influence to upgrade Shanghai's roads and airport infrastructure, which has lagged behind Guangdong, so that Shanghai will be able to attract some of the foreign capital that has been flowing into the southern region. Within the Chinese Government there is a consensus between the conservative and reform factions on this policy. Within the party, the so-called Zhonghuabei, or 'Chinese-style,' development of Shanghai is gaining sway.

Unlike Guangdong, Shanghai's payment of tax revenue to the central government has been exemplary. The Jiang Zemin regime itself, moreover, has an extremely strong Shanghai presence. Jiang is the former first secretary of Shanghai and Vice Premier Zhu Rongji is the former mayor of the city. Both have surrounded themselves with officials from Shanghai.

The fourth yen-denominated loan has a direct connection with this plan to modernize Shanghai's infrastructure, from expanding its airport to linking the city with Beijing via bullet train. Government officials reportedly are considering seeking money in the second phase of the loan to develop the Pudong section of Shanghai. The increasing independence of Guangdong is regarded as the most destabilizing scenario in the post-Deng era, and it is becoming clear that the leadership in Beijing intends to develop Shanghai with Japanese money in order to offset this trend. The plan is to counterbalance Guangdong with Beijing and Shanghai.

Will Beijing's ambitions succeed? There has been a rise in corruption and growing disparity in wealth. The Communist Party is also suffering from a loss



of identity. The cancerous cells continue to spread unabated.

The first phase of the loan will total 580 billion yen, and the China into which 2.1 billion yen in ODA has already flowed is beset by many serious problems.

What exactly is the nature of the yen-denominated loans? A definitive answer is difficult to get, because Chinese ODA is not simply economic assistance but a form of war reparations for the Japanese invasion of China. Officially, the government is not obligated to pay reparations. As one official in the Foreign Ministry was heard to say, China relinquished its demand for war reparations when it normalized relations with Japan in 1972, and there is no mention of reparations in any foreign ministry or MITI document concerning ODA for China.

Thus, is ODA pure economic assistance and will it be scaled back and discontinued in the future by mutual agreement?

No, not exactly. It is difficult to explain. It is not a reparations payment because China officially relinquished such demands. However, it may be viewed as assistance in the form of an apology.

Now it makes even less sense.

According to another official, there is an official document from the time of normalization that is no longer extant, a secret agreement between Kakuei Tanaka and Zhou Enlai. According to this person, that is why Deng Xiaoping visited Tanaka at his private residence after Mao Zedong and Zhou Enlai had died and Tanaka was in public disgrace because of the Lockheed scandal.

Deng's aim was to receive reparations under the name of yen-denominated loans in order to undertake Zhou Enlai's last project, the four modernizations of agriculture, industry, defense, and science and technology. A year later, after the normalization of relations, the first yen-denominated loan was arranged by Tanaka's staunch ally, Prime Minister Masayoshi Ohira, and was administered by the Foreign Ministry. Since then, ODA for China has been linked to economic reform and liberalization and has been used to finance Deng Xiaoping's policies. The size of these loans has continued to grow. In accordance with the secret protocol, it was decided that all dealing with China would be handled through the Tanaka-Ohira faction, not the Foreign Ministry. The faction slipped money into the pockets of members of the Sino-Japanese Friendship and Cooperation Association.

At the time of the Tiananmen Square incident, the cabinet of then Prime Minister Sosuke Uno agreed

unanimously not to suspend ODA to China because of Japan's unique situation, which is unlike that of Western Europe and the United States. This decision may have been the result of these secret dealings.

#### **Nakasone's Pipeline to China**

The Sino-Japanese Youth Exchange Center was built in Beijing's Chaoyang ward, a 10.9-billion-yen project that was part of the third yen-denominated loan. It was to be an exchange base for the young people of China and Japan. A hotel was built to lodge Japanese young people comfortably while in China. The facility contains amenities such as a meeting hall and a pool. The center is managed ostensibly by the All-China Youth League. It supposedly receives all of the revenue from the hotel.

It has been open for four years. I visited the center last fall and frankly my impression is that this project was some kind of political kickback made in the name of friendship.

In 1984 Prime Minister Nakasone and General Secretary Hu Yaobang, under the slogan "a new generation of Sino-Japanese friendship," established the 21st Century Sino-Japanese Friendship Council. Tadao Ishikawa, the former headmaster [sic] of Keio University, was the prime minister's representative. Unlike previously established Sino-Japanese organizations, this council appeared to be Nakasone and Hu's private channel. It was staffed with members of Nakasone's brain trust on the Japanese side, including Gakushuin University professor Kenichi Kayama. Hu Yaobang staffed the Chinese side with influential members of the Communist Youth Organization, including its first secretary Wang Zhaoguo. The Communist Youth Organization was Hu's power base.

This Sino-Japanese channel was set up to challenge the Tanaka-Wang Zhen (Deng Xiaoping) connection. Wang Zhen had become the honorary chairman of the Sino-Japanese Friendship and Cooperation Association after the death of committee Chairman Miao Chengzhi.

The Tanaka faction viewed the 21st Century Sino-Japanese Friendship Council with suspicion and fiercely opposed it at the time. According to one member of the Tanaka faction, Nakasone had dipped his hand into our pockets.

Before long, the 21st Century Council proposed to send 3000 Japanese young people to China as part of a mutual exchange program. It set out to build the Sino-Japanese Youth Exchange Center in Beijing. In 1985 Tanaka suffered a brain infarction which effectively ended his political career. Two years later, Hu was removed from office by senior party officials in part because of his relationship with the militarist Nakasone.



However, during a visit to China in March 1984, Nakasone decided upon the Sino-Japanese Youth Exchange Center as a gift of the Japanese people under the supervision of the Foreign Ministry. It was begun in 1989 by Kurokawa Design and the Takenaka Corporation in association with the All-China Youth League.

At the time, there was quite a bit of speculation about the relationship of Kurokawa to the project because it had no ODA experience. The Kurokawa insignia appears on the proposal for the center because of Prime Minister Nakasone and the new members of the 21st Century Council. At first many of the Chinese members of the Council were not enthusiastic about the project. They complained that they did not need such a fine building and that the funds could be put to better use elsewhere. In a word, politicians in both countries have feasted at the trough of development assistance.

A year and several months after his ouster, Hu Yaobang confessed to Japanese associates that he had been criticized for his connections to the Overseas Chinese and Japanese lobbies. Hu was censured by party elders, such as Wang Zhen and Bao Yibo, who were proud of their military records in the Sino-Japanese War. Hu's friendship with Nakasone, who had made an official visit to Yasukuni Shrine and had boosted defense spending above one percent of GDP, appeared to lend tacit approval to a new Japanese nationalism reminiscent of prewar years.

Said one Chinese associate: "Party elders had serious misgivings about Hu's friendship with Nakasone, which they believed had transgressed the principles governing Sino-Japanese relations. Under these governing principles, Japan was to reflect on its previous war of aggression and refrain from becoming a great military power."

With the fall of Hu Yaobang, Nakasone lost his channel to China in a single blow. To this day, it is taboo in China circles to talk about the relationship between Nakasone and Hu Yaobang. Nakasone no longer has any influence in China.

The Sino-Japanese Youth Exchange Center was completed in the fall of 1990. Nakasone and then Prime Minister Takeshita, who had inherited the project, were in attendance at the ground-breaking ceremony. Representing China was Wang Zhen, honorary chairman of the Sino-Japanese Friendship and Cooperation Association. Said an official who attended the ceremony: Nakasone and Takeshita did not utter a single word to each other. Wang Zhen was the only speaker at the ceremony. Few people from the Communist Youth Organization, the subject of the ceremony, were present.

Hu was purged and Nakasone was out of power. After the disintegration of the Tanaka faction, Takeshita inherited this China conduit, and he revived channels with Wang Zhen and the Sino-Japanese Friendship and Cooperation Association. The winners and losers were clearly on display at the ceremony.

After Tanaka's political career was ended and Nakasone had fallen from power, Takeshita made a grab for the China concession. Takeshita used official development assistance to establish the Sino-Japanese Friendship Environmental Protection Center in Beijing. This project was an item in the third yen-denominated loan which was arranged while Takeshita was prime minister. The center, which was completed this summer at a cost of ten billion yen, has been placed under the authority of the Chinese Government's State Environmental Protection Bureau. Deng Nan, the second oldest daughter of Deng Xiaoping, is in charge of it. The Takenaka Corporation, which built the youth center, was the primary contractor for the environmental center. Marubeni, with whom Takeshita and Deng Nan have close relations, was placed in charge of designing the interior. After completion, the Environmental Protection Bureau took over management of the convention center.

Connections to the Deng family do not end with Deng Nan. Deng Pufang, the oldest son of Deng Xiaoping and the honorary chairman of a foundation for the physically handicapped, had a role in a project to expand port facilities for stone mortar manufacturers under the second yen-denominated loan. The Chinese International Friendship Liaison Council, established in 1984 to encourage Japanese business investment in China, is another ODA project that has involved the children of influential Chinese leaders.

When the first yen-denominated loan was granted in 1980, the Sino-Japanese Friendship and Cooperation Association was established to act as an unofficial channel to Japanese leaders. The don of Sino-Japanese concessions is honorary chairman Wang Zhen. Deng Rong, Deng Xiaoping's third oldest daughter, and Yang Yi, the oldest daughter of former state Chairman Yang Shangkun, have also been named to the council. When they visit Japan they are entertained at the private residences of the prime minister and leading officials in the financial world. They are treated respectfully as representatives of their fathers.

The idea that superior parents produce superior children is a traditional belief, and the insidious custom of nepotism has been practiced for thousands of years. Its practice only seems to have intensified in the fifteen years since reform and liberalization was initiated in China. This had led to the current situation in which



the children of influential party officials have inherited Japanese perquisites and privileges.

#### Signs of Chinese Economic Slowdown

How will the upcoming yen-denominated loan fare? The third yen-denominated loan was directly affected by the Tiananmen Square incident, and the possibility of similar trouble cannot be discounted. At the present time, Chinese society and the Chinese economy are beset by many problems.

Japanese corporate and individual investors, stung by the collapse in stock market and real estate prices at home, have little capital to invest in new ventures overseas. Japanese securities firms, which were once bullish on Chinese stocks, have reaped hardly any profits from their Chinese stock funds. Everyday more and more of them are selling below par value. A Japanese securities broker who resides in Shanghai has become bearish: They drop and drop. After Deng Xiaoping dies they'll drop even further. All we can do now is wait.

What about real estate? It too is not flourishing. Unsold properties are not turning over at all. The China bubble is not far from bursting, and the concern is that a number of public and private Chinese companies have been diverting overseas loans into real estate and stocks.

A veteran Japanese banker with experience making loans in China had this to say: It remains unclear how most of these loans were invested, and bad credit is slowly on the rise. The situation really looks bleak in the case of regional governments and regional companies.

Those children of top Chinese officials, such as those of Deng Xiaoping, who have had under-the-table access to yen loans, have also had a hand in creating the Chinese real estate bubble as board members of private companies. We can only hope that the ODA paid to the Chinese people as an apology for, and as reflection on, the last war will be used according to this purpose.

#### Council Approves JAS Osaka-Guangzhou Route

OW2707064395 Tokyo KYODO in English  
0230 GMT 27 Jul 95

[FBIS Transcribed Text] Tokyo, July 27 KYODO — The Transport Council advised the Transport Ministry on Thursday [27 July] to approve Japan Air System's application to open a new air route between Osaka and Guangzhou, China, the ministry said.

After getting ministry approval, JAS is to open flight services between Kansai International Airport and Guangzhou on Oct. 2, it said.

The three-and-a-half-hour flight service will be available every Monday, Thursday and Saturday, the ministry said.

#### MITI Surveying Asian Textile Industry

OW2607065495 Tokyo KYODO in English  
0549 GMT 26 Jul 95

[FBIS Transcribed Text] Tokyo, July 26 KYODO — The Trade Ministry has launched a survey of the Asian textile industry whose exports are posing a threat to Japanese makers, ministry officials said Wednesday [26 July].

The officials of the Ministry of International Trade and Industry (MITI) said the research is being undertaken by an expert committee headed by Eiji Ogawa, professor at Chukyo University.

The wide-ranging investigation will include spinning, knitting, apparel, dyeing and other sectors of the industry in South Korea, Taiwan, China, Indonesia and Thailand as well as Japan, they said.

The competitiveness of each sector and its mid- and long-range outlooks will be analyzed, the officials said.

Growing imports of textiles and yarn from newly emerging economies in Asia pose a serious threat to the domestic industry, according to Japanese makers, and the recent rapid appreciation of the yen has worsened the situation.

Government statistics show that such imports from Asia accounted for 55.8 percent of Japan's total domestic demand in 1994, causing trade friction between Japan and the exporting economies.

#### Imported Rice Prices Hit Upper Limit at Auction

OW2607152395 Tokyo KYODO in English  
1500 GMT 26 Jul 95

[FBIS Transcribed Text] Tokyo, July 26 KYODO — All contract prices of imported rice climbed to the upper limit in the first auction in Tokyo supervised by the Food Agency on Wednesday [26 July].

The high prices stemmed from strong demand by wholesalers due to the small volume of rice on offer — some 2,800 tons, half the total quantity allowed to be auctioned, industry sources said.

The auction was conducted to comply with Japan's promise to partially open the domestic rice market under the "minimum access" deal mediated by the General Agreement on Tariffs and Trade (GATT).



Trading house sources projected retail prices would be set at the higher 4,000 yen level per 10 kilograms, almost the same as for domestic rice.

The first shipments of such rice to be auctioned will reach the tables of households around September, they said.

However, demands for improving the current bidding system are expected to grow as the system fails to return the benefits of the strong yen to consumers.

The bidding system allows the agency to buy all such rice and sell it to wholesalers, and requires competing pairs of importers and wholesalers to submit two bids simultaneously on the basis of their consultations.

The system allows a pair to offer a markup of up to 292 yen per kilogram of rice between their bids.

Among the 2,800 tons of auctioned imported rice, 1,567 tons were from the United States and 868 tons from Australia, the agency said.

The amount of rice stipulated in the "minimum access" deal is about 420,000 tons, 5,600 tons of which will be for auction.

#### Further Reaction to Upper House Poll Results

##### Goto Wants Murayama Replaced

OW2707124995 Tokyo SANKEI SHIMBUN  
in Japanese 26 Jul 95 Morning Edition p 3

[FBIS Translated Text] At a 25 July inauguration meeting of the "Liberal Forum," Masanori Goto, deputy secretary general of the ruling Social Democratic Party of Japan [SDPJ], commented on the future of the coalition government formed by the Liberal Democratic Party [LDP], the SDPJ, and Sakigake [Harbinger Party]. He said: "The people handed down a judgment in the latest upper house election. The SDPJ should turn over the reins of government to the LDP, the largest party among the three coalition partners, after scrapping the three-party agreement on forming the coalition government. If the three coalition partners intend to keep the coalition government in place, it is better to replace the prime minister." In this way, he indicated that Prime Minister Murayama should resign at an early date to make way for LDP President Yohei Kono to become prime minister.

##### Business Leaders Reject Administration

OW2707093595 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 26 Jul 95 Morning Edition p 3

[FBIS Translated Text] In business circles, there is a clamor for the Murayama administration to resign. Chairman Jiro Ushio (Ushio Inc. chairman) of Keizai

Doyukai [Japan Association of Corporate Executives] asserts: "The prime minister should be elected from the Liberal Democratic Party [LDP], which is the largest party, and a general election should be held at once."

Keidanren [Japan Federation of Economics Organizations] Board of Councillors Chairman Hiroshi Saito (Nippon Steel chairman) says: "The coalition by three parties itself is at issue. A general election should be held at an early stage." This is because the business circles think that drastic economic measures, which they are looking for, will be difficult to implement under the present administration.

Among the top Doyukai members, besides Ushio, Yotaro Kobayashi, chairman of Fuji Xerox Company, Ltd., and Susumu Tenporin, chairman of Mitsui O.S.K. Lines, Ltd., are also asking the Murayama administration to resign. There is a strong possibility that Doyukai may proclaim its demand for the Murayama administration's resignation at its summer seminar, which will be held in Karuizawa starting on 27 July.

What the business sector is asking from the administration as an economic stimulation measure is to review the tax system, including a reduction of the corporate tax. However, the Social Democratic Party of Japan is taking a cautious attitude, for example, in reducing the corporate tax, and in abolishing the land price tax and securities transaction tax. For this reason, there is widespread skepticism regarding how the Murayama administration deals with the tax system.

On the other hand, Keidanren Chairman Shoichiro Toyoda deems that "the compilation of the second supplementary budget and the FY96 budget has priority over holding a general election, which will create a political vacuum." His remarks indicate that the business sector has not necessarily come to a consensus. However, it is possible that withdrawal of support for the Murayama administration may accelerate if economic measures are inadequate.

#### Ruling Parties' Reaction to Poll Reviewed

OW2707112895 Tokyo TOKYO SHIMBUN  
in Japanese 25 Jul 95 Morning Edition p 2

[Unattributed article: "Upper House Election Ends in Losses for the Ruling Parties"]

[FBIS Translated Text] The House of Councillors election ended in losses for the ruling parties and dramatic advances for the opposition Shinshinto [New Frontier Party, NFP].

On 24 July, the day after the election, various reactions came from the three ruling parties. In the Liberal



Democratic Party [LDP], which lost to the NFP in the proportional representation poll, there was an outcry against the party leadership. On the other hand, there has not been any criticism of the party leadership at the Social Democratic Party of Japan [SDPJ], which obtained its worst electoral results in history, due to the desire to maintain the present administration. Meanwhile, a heated debate on how much distance to keep from the Murayama administration raged at the Sakigake [Harbinger] general affairs meeting, which started in the early hours of 24 July. The three ruling parties are each having difficulty in dealing with the election aftermath due to varying circumstances. LDP [subhead]

The LDP had to face the "shocking outcome" of being beaten by the NFP in proportional representation. Veteran Diet members who have distanced themselves from the incumbent leadership and the younger Diet men all came out criticizing the party leadership headed by President Yohei Kono and Secretary General Yoshiro Mori, asserting that "we will not be able to win the general election if things go on like this."

Former Foreign Minister Michio Watanabe sternly criticized the LDP leadership in a speech in Nagoya on the evening of 24 July. He said: "This is a crushing defeat. The LDP has lost its fighting spirit. It is giving top priority to preserving the administration with the SDPJ and keeping this cozy relationship." He went on to seek the Kono leadership's resignation, stating: "I am not saying he should decide today or tomorrow. However, if politics is the highest ethics, he does not have to be told by others; he will have to decide by himself."

Home Affairs Minister Hiromu Nonaka also criticized the LDP leadership on how it chose candidates on the proportional representation list at a news conference on the afternoon of the same day. He said: "The NFP had better campaign tactics. The LDP suddenly brought in a number of celebrities and decided on their place in the list without any apparent basis. This caused great discontent."

At a meeting of "Group Shinseiki" (headed by Policy Research Council Chairman Koichi Kato), consisting of mid-career and younger Diet members across factional boundaries, held at party headquarters on the evening of 24 July, many participants also took a tough stand in asking for "the leadership's resignation." They claimed that: "It is wrong to do things the way they did in the election. We have to fight the next general election with a new president and a new leadership."

Although President Kono (deputy prime minister and foreign minister) indicated at a 24 July emergency executive meeting that the question of responsibility for

the poor election results will be deferred for the time being, he was under "heavy fire" from party members old and young. The party leadership is also expected to be blamed at the 25 July General Council meeting. Prospects are already becoming unfavorable for Kono, who is running for reelection at the LDP presidential election in September. SDPJ [subhead]

Despite the historical defeat suffered by the SDPJ, so far, there has not been any active move in the party to question the leadership's responsibility.

Although Diet Administration Committee Chairman Churyo Morii said that "we have not sufficiently discussed this because the election was held just yesterday," SDPJ Chairman Murayama lost no time in declaring his intent to stay in power.

Since Murayama has also stated that he would not question Secretary General Wataru Kubo's responsibility, the prevailing atmosphere in the party is that the leadership will not be held responsible.

Even the group led by former Chairman Sadao Yamahana, which has consistently criticized the LDP-SDPJ coalition administration, is observed to be restrained in its criticism of the leadership in the belief that "this is not the time to talk about (the leadership's responsibility)." In view of the election results, there is a growing sense of crisis in the party that "SDPJ forces," wedged between the two conservative parties LDP and NFP, may be crushed. Therefore, this is no time to create trouble in the party.

Furthermore, it is also believed that "if the secretary general is called to account, this may come to also involve the chairman, and the issue may come to bear on the administration's stability" (according to a middle-ranking Diet member). Therefore, SDPJ members deem it better to keep quiet. In the face of the worst defeat since the party's founding, it seems that SDPJ members do not even have the energy to engage in an intraparty feud. Sakigake [subhead]

Sakigake held an ad hoc general affairs meeting from the early hours of 24 July to the evening of the same day and held a prolonged discussion on its "survival strategy" from now on.

The meeting basically approved of the Murayama administration's continuation. While calls to withdraw from the ruling coalition have died down temporarily, there is now stronger pressure for the party to distance itself from the administration by removing party head Masayoshi Takemura (finance minister) from the cabinet and limiting Sakigake's involvement in the ruling parties' policy coordination meetings to "partial participation."



There is an outcry among the younger Diet members, who keenly felt the antipathy toward the party during the upper house election, that "if things remain unchanged, all of us are going to lose in the lower house election."

Right now, Sakigake sends Diet members to participate in nearly 40 ruling party project teams. Since it has only 22 members, one legislator sometimes has to take up two or three jobs, and this has been too much of a burden. Sakigake Diet members bitterly complain that "we are not able to prepare for our own election, and there is a limit to our physical strength."

Behind such a complaint is the desire to concentrate only on their areas of specialization, such as administrative reform, and come up with tangible results, in order to sell Sakigake to the people.

#### **Official: LDP Presidential Election Set 29 Sep**

OW2607232195 Tokyo KYODO in English  
2307 GMT 26 Jul 95

[FBIS Transcribed Text] Tokyo, July 27 KYODO — The ruling Liberal Democratic Party (LDP) will hold a presidential election Sept. 29, one day before its party convention, according to a high-ranking LDP official.

The official said the LDP, the largest force of the three-party ruling coalition, has also decided to begin campaigning Sept. 17 for the presidential race.

The official's remarks suggested there will be no LDP presidential election to coincide with a possible reshuffle of Prime Minister Tomiichi Murayama's cabinet.

In the last LDP presidential election July 30, 1993, Yohei Kono beat former Foreign Minister Michio Watanabe.

Kono's two-year tenure as LDP president expires Sept. 30. International Trade and Industry Minister Ryutaro Hashimoto is said to be considering challenging Kono's reelection bid.

The LDP had anticipated securing more than 55 seats in the July 23 House of Councillors election compared with 33 seats that the party held going into the polls. It won 49 seats of the 126 seats up for grabs or half of the 252-member upper house.

The LDP won only 36 seats in the 1989 upper house poll because of the imposition of the unpopular consumption tax. It won 67 seats in the last upper house election in 1992.

#### **Candidacy From 'YKK' Urged**

OW2707101995 Tokyo SANKEI SHIMBUN  
in Japanese 25 Jul 95 Morning Edition p 3

[FBIS Translated Text] "Someone from the YKK trio should stand for the Liberal Democratic Party [LDP] presidential election in September to demonstrate the presence of younger generations," members of the "Group Shinseiki [New Century]," an LDP policy group, said. The "Group Shinseiki" led by the so-called YKK trio — Diet Affairs Committee Chairman Taku Yamasaki, Policy Research Council Chairman Koichi Kato, and former Posts and Telecommunications Minister Junichiro Koizumi — held a meeting at the LDP headquarters on the afternoon of 24 July to discuss postelection political scene. At the meeting, many members voiced their concern over the LDP's setback in the upper house election.

The attendants unanimously called for a vote for the upcoming LDP presidential election, noting "selection of the president through top-level negotiations is a fraud on party members." On that ground, they supported "candidacy by YKK" to "show that the LDP has become a powerful party after changing itself."

During the meeting, Kato and other YKK leaders did not show their reactions to the calls for candidacy for the party leadership. The "Shinseiki" members voiced strong concern over the Shinshinto [New Frontier Party] sponsored by a Buddhist group Soka-Gakkai. Also, they are calling for an LDP leadership reshuffle, saying "nobody can survive the next general election unless the party elects a new president." These LDP members are likely to affect a future cabinet reshuffle and the issue of holding the LDP leadership responsible for elections results.

#### **Kato Favors Large Cabinet Reshuffle in Sep**

OW2707092795 Tokyo TOKYO SHIMBUN  
in Japanese 26 Jul 95 Morning Edition p 2

[FBIS Translated Text] On a plan to carry out a cabinet reshuffle in early August, Koichi Kato, chairman of the Liberal Democratic Party's [LDP] Policy Research Council, said on 25 July: "If a large-scale cabinet reshuffle is planned, carrying it out in September is comprehensible in view of such issues as compilation of the second supplementary budget for FY95." He made the remark in a meeting with reporters at the LDP headquarters. This remark indicates his view that a planned cabinet reshuffle in August should only be small-scale, and a large-scale reshuffle should come after the LDP presidential election in September.

Regarding the LDP leadership's responsibility for its defeat in the 23 July House of Councillors election,



Kato said: "There is less (criticism within the party) than expected. But I think the issue is not over. I think we will have a chance to review and think over this matter carefully, and I am prepared to be on the receiving end of criticism."

**Kubo: SDPJ To Strengthen Ties With Sakigake**

OW2707060095 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 26 Jul 95 Morning Edition p 1

[FBIS Translated Text] Secretary General Wataru Kubo of the Social Democratic Party of Japan [SDPJ] granted an interview to NIHON KEIZAI SHIMBUN on 25 July. Touching on how to deal with the political situation ahead, he said, "We must get ready to deal with a possible general election in the fall," stressing that the party will actively promote concrete plans for the early formation of a new democratic-liberal party before the election. He disclosed an intention to strengthen cooperative ties with Sakigake [Harbinger] so as to form a third political force capable of dealing with the Liberal Democratic Party and the New Frontier Party [Shinshinto].

Concerning the issue of cabinet reshuffling, he said, "Since we have said we will reshuffle the cabinet, we must take definite action." He indicated that a major reshuffle is necessary to project a fresh image.

The SDPJ, as well as Sakigake, were both defeated in the recent upper house election, and a move toward forming a two-party system is gathering momentum. Kubo disclosed an intention to strengthen cooperative ties with Sakigake because he keenly realizes that the formation of a new political force is indispensable for the SDPJ to survive at the next general election. This indicates that there will be more active moves toward forming a third force in the near future.

**Sakigake Pledges To Remain in Coalition**

OW2707125095 Tokyo KYODO in English  
1230 GMT 27 Jul 95

[FBIS Transcribed Text] Tokyo, July 27 KYODO — New Party Sakigake will remain in the tripartite ruling coalition unless Prime Minister Tomiichi Murayama breaks his four-point promise made to Sakigake leader and Finance Minister Masayoshi Takemura, a party official said Thursday [27 July].

Sakigake executive Shusei Tanaka made the comment after Murayama pledged to strengthen the function of the prime minister's office, make government panel meetings open to the public from September, set up a public body to purchase land and draft a Japanese proposal for reforming the UN Security Council as sought by Takemura.

"We believe in Murayama's promise and will cooperate fully" in the coalition, Tanaka said at a press conference.

But Tanaka was quick to note that Sakigake will leave the coalition if Murayama fails to abide by even one target.

Murayama told reporters after meeting Takemura that he agreed with the Sakigake leader's proposal. "It's natural to implement what should be done on the basis of the outcome of the (House of Councillors) election," Murayama said, adding, "I told him let's try."

Takemura repeated the proposals in a meeting with Foreign Minister Yohei Kono, who also serves as president of the Liberal Democratic Party, the largest of the three parties in the coalition.

Kono told Takemura that the proposals will be reviewed within the LDP.

These meetings came against the backdrop of a growing view within Sakigake that the party should withdraw from the coalition in the wake of a coalition setback in Sunday's upper house poll.

Sources close to Sakigake said these meetings are apparently designed to restrain any such views against the coalition.

**Igarashi on Murayama-Business Leaders Meeting**

OW2707013895 Tokyo ASAHI SHIMBUN NEWS  
CONFERENCE REPORT in Japanese  
0423 GMT 26 Jul 95

[News conference by Chief Cabinet Secretary Kozo Igarashi with unidentified reporters in the conference room of the Prime Minister's Official Residence at 0217-0226 GMT on 26 July]

[FBIS Translated Excerpt] [Passage omitted] [Reporter] The prime minister met with business leaders this morning. According to one of the attendants, the prime minister noted he strongly felt the need for the promotion of reform policies because, in the upper house election, voters clearly exhibited their preference for reformist parties over older parties. This sounds like Mr. Murayama is highly rating the reform-oriented stance of the Shinshinto [New Frontier Party]. What is the real intention of his remark?

[Igarashi] I do not quite understand that question... I was at the meeting, but I do not remember such a remark. I guess that may be some kind of misunderstanding.

But I felt the meeting was significant as the attendants participated in the discussion in a very positive manner as usual.



For example, Naoki Tanaka called for measures for revitalizing the labor market, and many other attendants showed similar opinions. Mr. Tanaka also proposed survey trips by dietmen to the United States to learn about the development of U.S. deregulation measures and regulations existing in the U.S. market. The government had no answer to the proposal because it is an issue concerning the Diet, but we listened to the proposal as a helpful opinion. Other participants proposed a Diet special committee to work on this issue. [passage omitted]

#### **'Sources': DA Spending Divides LDP, SDPJ**

OW2707045595 Tokyo KYODO in English  
0403 GMT 27 Jul 95

[FBIS Transcribed Text] Tokyo, July 27 KYODO — The ruling Liberal Democratic Party (LDP) and Social Democratic Party (SDPJ) [SDPJ — Social Democratic Party of Japan] wrangled Thursday [27 July] over defense spending for fiscal 1996 that begins next April, coalition sources said.

The rift emerged on the opening day of talks among members of the three-way ruling coalition, which also includes finance minister Masayoshi Takemura's New Party Sakigake, an LDP splinter group.

The LDP, the largest coalition partner, will demand a proposed 4.1 percent increase in defense spending as outlined by Defense Agency [DA] chief Tokuichiro Tamazawa, the coalition officials said.

The increase is far above the proposed increase of less than 0.855 percent sought by the LDP's key coalition partner, Prime Minister Tomiichi Murayama's SDPJ, the officials said.

In a meeting with LDP policy-makers on defense affairs Wednesday, Tamazawa said the agency needs a budgetary increase of 4.1 percent, or 192 billion yen, for fiscal 1996 over the current year in view of obligatory outlays on big-ticket defense equipment carried over from past years and required for the next fiscal year.

The anticipated increases in costs from obligatory outlays were given as 100 billion yen, while the increase in personnel and food costs was cited as 50 billion yen.

Among other spending categories, Tamazawa expects general expenditures, such as those for military drills, will increase by 42 billion yen, an increase of 0.9 percent.

The ruling parties will fix a budgetary request on defense spending Aug. 4.

Takemura suggested Wednesday that the ministry will have to accept some growth in the defense budget for fiscal 1996.

Takemura said at a news conference, "we have to earmark defense spending, taking into consideration an expected sharp mandatory increase for the next year such as personnel expenses."

His comments appeared to suggest that he intends to seek a compromise between the LDP and the SDPJ.

#### **Editorial Urges Early Lower House Election**

OW2707113995 Tokyo ASAHI SHIMBUN  
in Japanese 24 Jul 95 Morning Edition p 7

[Editorial: "Start Afresh by Holding the General Election"]

[FBIS Translated Text] In the 1989 House of Councillors election, Takako Doi, the then chairwoman of the Social Democratic Party of Japan [SDPJ], said: "The mountain has moved." In this election, the Liberal Democratic Party [LDP] suffered a historic defeat due to the "Recruit scandal" [in which several LDP members were suspected of taking bribes from Recruit Corporation], and the introduction of the consumption tax. Her words expressed her feeling that voters can move politics.

#### **The Prime Minister Should Resign**

Should it be said "the mountain has collapsed" in this election? Voter turnout fell below 50 percent for the first time in national elections to 44 percent, breaking the all-time low established in the 1992 election. All the more because this is the first upper house election after the 1989 election, the drop in voter enthusiasm was obvious.

However, no matter how small the voter turnout was, we should respect the election results.

In sharp contrast to six years ago, the number of seats the SDPJ won dropped to below 20, hitting an all-time low. It was far below the 22-seat target set by Prime Minister Tomiichi Murayama, to say nothing of the 41 seats that were up for reelection.

The LDP fought a very uphill battle compared to the 1992 election, though it regained some of the ground it lost six years ago. Sakigake [Harbinger Party], which had aimed to win at least five seats, also suffered a setback. Although the ruling coalition parties have maintained a majority of Diet seats, they lost a large number of seats.

This was the New Frontier Party's [NFP] first national election. The NFP, which upheld the slogan "overthrow the Murayama administration," made a major advance, and doubled its seats. The Japan Communist Party [JCP]



also fought well. It can hardly be said that the Murayama administration has won people's approval.

Now that the election results are known, Prime Minister Murayama should assume his responsibility by resigning. Even if he remains in power, he cannot exercise leadership. In preparation to form a new administration based on the new seat-balance of the lower house, a "stop-gap cabinet" should be set up as early as possible to hold the general election.

The Murayama administration was inaugurated in June last year as a result of unexpected developments. Although it has achieved good results in handling postwar issues, such as the atomic-bomb victims redress law, the present administration has failed to appropriately handle tough problems, such as the great Hanshin earthquake, incidents involving the Aum Shinrikyo, the abnormal rise in the yen's value, and drops in stock prices. Dissatisfaction with gloomy prospects for the economy, in particular, has grown among the public.

In the first place, people were puzzled by the LDP's choosing Murayama as prime minister. Changes in the international situation after the end of the Cold War have enabled this. The Murayama administration was much like an "emergency escape." It can be said that the result of this election has shown the present administration that it is "time to resign."

The three ruling parties' leaders have agreed that Murayama should remain in office. That is probably because they would have a hard time choosing a successor. Due to the LDP setback, Deputy Prime Minister Yohei Kono has found himself in a fix as LDP head. If the prime minister is chosen from the LDP, the SDPJ and Sakigake will be faced with a tough question of whether or not to remain in power. Moreover, the SDPJ will be forced to decide which way it should choose, party split or establishing a new party. The election result also questions the coalition's propriety.

Will the ruling party's decision to let Murayama remain in office win understanding of a majority of people? On the other hand, the NFP, which does not have a majority in both houses, is not in a position to take over power. We cannot stand anymore opportunism of political parties that busily change a coalition's makeup.

Therefore, holding the general election is the only way to start afresh. Even if Murayama continues to serve as prime minister, he should immediately start preparations for the general election. Although the lower house electoral system has been revised, no election has yet been conducted under the new system. Despite the sluggish economy, there are few business leaders who dissuade the administration from holding the general

election in fear of a "political vacuum." Most of them seem to hope for change.

#### **The NFP Has Made an Advance, Though ....**

The SDPJ's setback has fallen within our expectations. Although he has obtained some popularity, Murayama has lost his old supporters due to his violation of "public commitments." He has made changes in the SDPJ's policy, such as acknowledging the Self-Defense Forces as constitutional and increasing the consumption tax rate.

Due to prolonged conflicts within the SDPJ, its pledge to form a new party appears to be a specious promise. As it has been regarded as a temporary coalition partner until the LDP returns to power, the SDPJ has not been able to talk about its future. The SDPJ suffered its third historic defeat following those in the 1993 lower house election and the unified local election last spring, and its fate is on the scales.

The LDP fought the past elections on the strength of unity among "politicians, bureaucrats, and business."

In this election, however, the LDP was forced to play a tough game due to weakened support from factions and trade organizations, as well as the NFP's participation. Those LDP members who had hoped for the "LDP's return to power" after the next general election suffered the serious result. As one of the coalition members, the LDP had no other choice but to praise the other party's head in the election campaign, saying: "Whether we lose or win, Mr. Murayama will stay in office." Such circumstances surely adversely influenced the party. It is doubtful if the LDP benefited from fielding television personalities and well-known athletes. Its leadership, such as Kono and Secretary General Yoshiro Mori, will be held responsible.

Although it had unique candidates running in Tokyo metropolitan constituencies, Sakigake failed to win support from voters who are not affiliate with any party. Sakigake also seems to have been considered an "established party." The fact that party head Masayoshi Takemura remained passive in election campaigns, due to his capacity as finance minister, also worked against the party. It needs a fundamental review of its strategies as a political party.

The NFP attained successful results by having three former prime ministers — Toshiki Kaifu, Morihiro Hosokawa, and Tsutomu Hata — stand at the forefront of campaigning to urge "reform." We welcome that the NFP has developed the possibility of becoming a party that can compete with the LDP. That is the way party politics should be.



However, there are also worries. Despite extremely low voter turnout, the NFP won votes that fairly exceeded its support rate in past public opinion polls. This implies the large contribution made by former Komeito, which has solid organized ballots centering around Soka Gakkai.

Although the NFP is a congeries of several political forces, it fielded former Komeito member candidates in several major constituencies, such as Tokyo, Osaka, Kanagawa, Aichi, and Fukuoka. It also gave preferential treatment to former Komeito candidates for the proportional representation by naming them at the top of the candidates list. This is because of its desire for "Soka Gakkai ballots."

Despite the unfavorable international situation, such as the collapse of the USSR, the JCP fought well by criticizing the SDPJ's "inclination toward conservatism" and "most parliament members holding the same view as that of the ruling party members." It can be said that people expect the JCP to serve as a tough critical force.

#### **Learn From the "Election With 40 Percent Voter Turnout"**

At any rate, the extremely low voter turnout should be considered a crisis for democracy. It is said that "spectator democracy," in which not only apathetic voters but also those who are interested in politics stay away from voting booths, is spreading. If independent voters abstain from voting, the vote-collecting capability of religious groups, business sectors, and labor unions will count for a great deal. The possibility of particular forces dominating politics will emerge.

The cause of the large abstention lies in the absence of appeal in political parties. Except for the JCP, differences in policies among political parties was not clear. In view of the fact that the ruling parties in particular were constrained by the coalition framework, voters thought that "no matter which ruling party wins, the result would be the same."

There were complicated electoral alliances between the ruling and opposition parties. For example, the SDPJ and NFP cooperated with each other in some districts. Some independent candidates "concealed their ties with particular parties." It was difficult for voters to see which party would actually get their ballots. On the candidate lists for proportional representation, just as in past elections, there were names of trade organization representatives, former bureaucrats, and labor union leaders. Many parties easily resorted to the popularity of TV personalities.

Following the sensation created by the Tokyo and Osaka gubernatorial elections, in which Yukio Aoshima and Knock Yokoyama won as independent candidates,

political parties were shocked by the "40-odd percent voter turnout." The only way for political parties to bring back voters to politics is to become credible parties. That is, they should compete with each other in coming up with new ideas beyond the reach of bureaucrats and in decisiveness and leadership for driving bureaucrats.

#### **Editorial Questions Coalition Government**

*OW2707124595 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Jul 95 Morning Edition p 2*

[Editorial: "Why Is Murayama Permitted To 'Stay on the Pitcher's Mound'?"]

[FBIS Translated Text] We thought a "coalition government" was a system where several political parties get together to pool their efforts to carry out policies that would benefit the people, but it appears we have been wrong. In this country, a coalition government is nothing more than a means of evading responsibilities.

In his news conference following the announcement of the House of Councillors' election results, Prime Minister Tomiichi Murayama said: "The three ruling coalition parties together have won a majority of seats. Last night, heads of the three parties met for discussions, and agreed that the current three parties should continue to run the government in response to the people's expectations."

We cannot detect in his remarks a revelation of any feeling of responsibility as the leader in charge of the national government. All that he said appears to mean that he will remain prime minister because that was an agreement reached in the three party heads' meeting.

As far as the ruling parties are concerned, they were determined from the beginning that "Murayama should remain on the pitcher's mound." That being the intention, they adopted a strategy that would avoid the situation of the Social Democratic Party of Japan's [SDPJ] major loss not leading to the prime minister's withdrawal from his post. The parties deliberately set their target of seats to win at a low level, and had insisted that "we will consider it a victory if the three of us win a total of 75 seats."

And now even though they have won far less than 75 seats, they are not talking about taking responsibility. Within the SDPJ, which is supposed to have been shocked by its catastrophic loss in the election, in fact, some go so far as to say: "We were afraid we might not do better than a little over 10; 16 means we have done well."

The LDP, which failed to win even 50 seats, in its executives meeting agreed "we should face the forthcoming



political situation under the current system," thus deciding not to ask President Kono and the party leadership to take responsibility. The people who should have taken responsibility have actually covered up each other's responsibility, thus making it hard to tell who really were responsible. And that has become the real meaning of the coalition government's existence. Meaning of Coalition Was in Escaping From Responsibility [subhead]

When such is the state of the matter, the three parties now appear to be thinking about reshuffling the cabinet. With one year having passed since the present cabinet was first formed, there are people who believe it is their turn to come on the cabinet. And the parties apparently want to please these people who are unhappy waiting.

Prime Minister Murayama said: "Politics cannot be left in a vacuum even for a day." What he said is only natural. However, as far as the people of the nation are concerned, politics has been in a vacuum for a long time. If a politician says now "a vacuum cannot be permitted," it sounds like a vain joke, which only perturbs us.

We would like to ask Prime Minister Murayama: Why did the SDPJ suffer such a big loss in the election? Cannot you see that the people have said a clear no to the Murayama government? What is the rationale for you sitting in the post of power despite all this?

Why did more than half the eligible voters refuse to cast their votes? Cannot you see that they knew that regardless of which candidates or which parties the votes were cast for, the Murayama government would remain anyway. The utmost responsibility for the people turning their backs on politics like this lies squarely on the ruling parties. In particular, the prime minister, who is in charge of government, cannot escape his responsibility.

In his news conference, the prime minister did not make clear what he wants to do by remaining in power. However, when asked about dissolving the Diet and holding a general election at an early date, which is believed to be what the opposition parties as well as the people want, he said: "I am not thinking about that at this time." One prevailing observation is that since the ruling parties lost in the upper house election, the possibility of a [early] general election has moved even further away.

If put in a simple expression, this means they do not want to dissolve the Diet and want to remain in power as long as possible. If that is what they want, the people cannot put up with it any longer. It has become clear that this coalition government cannot come up with any effective measures, even on economic issues, but they still want to force us to endure and be patient.

The most serious problem with this coalition government is that because its purpose is to remain in power, it cannot come up with daring policies. Inasmuch as they want to make decisions only in areas where all three parties can agree, the policy decisions that are made are bound to be without any substance.

To make matters worse, the current cabinet members are strangely quite considerate of each other, and do not want to even be in a friendly rivalry with each other. In the process of the government holding auto talks with the United States or deciding on economic measures, we could not see if the prime minister was leading the national government.

The New Frontier Party's [NFP] responsibility [for the present state of government] is just as great. This is no time for the party to be immersed in sweet wines of "victory" over the House of Councillors' election results. If the NFP had done its part as a strong opposition party, national politics would have not become so abandoned by the people as it is now. Retaining the Government Would Mean Retaining a Vacuum in Politics [subhead]

The NFP's victory this time is only a victory in relative terms, won by strong party organization-backed votes when the overall voter turnout was the lowest in history. The NFP, which is made up of politicians with different thoughts and policies as much as the ruling parties are, also has the responsibility of clearly showing what kind of government it wants.

Soon, two years will have passed since the so-called LDP-SDPJ- dominated political regime of 1955 collapsed and the Hosokawa government started under the banner of political reform. Since then, there have been three coalition governments, led by Hosokawa, Hata, and then Murayama.

How has politics improved in these two years? How much more sensitive has it become to the will of the people? How much strength has the leadership come to exercise? To our regret, we cannot see much improvement.

On the contrary, we must say there are many areas that have deteriorated. The worst of all is the fact that it has become impossible to tell where the responsibilities lie. Having a representative of a minority party as prime minister has come to mean the prime minister now has many alleviated responsibilities.

We no longer have anything to expect from the Murayama government. However, it is also impossible to declare confidently which combination of parties is most appropriate or who is most appropriate as the national leader in this time of difficulties.



We have time and again demanded that the House of Representatives be dissolved and a general election be held. It is not for the power-blinded politicians, but for the people of the nation to judge what kind of government the nation needs. Retaining the Murayama government in power is indeed tantamount to retaining a "political vacuum." The government should receive the people's judgment without any further delay. It is not a matter of what happens to a government, but what happens to Japan's politics itself.

#### **Aum Cult Follower: 25,000 Bags of Sarin Hidden**

952B0177A Tokyo SHUKAN BUNSHUN in Japanese  
13 Apr 95 pp 30-33

[Unattributed article]

[FBIS Translated Text] The sarin sprayed during the subway sarin incident was contained in liquid-use bags. The truth is that, prior to the disclosure of this fact, new information was received by the Tokyo Metropolitan Police Office [MPO]. The provider of the information was someone connected with the Aum Supreme Truth Cult. It revealed that "25,000 bags of sarin were buried at the Japan South Alps."

The shocking news was announced at a top-secret conference held the other day concerning the investigation of the Aum cult by the National Police Agency [NPA].

At the conference, attended by the senior officials of the NPA and the MPO, Director Kazuji Inaba of the NPA 1st investigation division, integrated investigation guidance unit, held a sheet of paper in his hands and reported as follows. "We made a rough comparison between the amount of chemicals confiscated from the Kamikuishiki facility and the quantity of chemicals confirmed as purchases by the Aum cult, and we figured out how much of the chemicals was missing or used up.

Also, assuming that the Aum cult was manufacturing sarin with these chemicals, we estimated the quantity produced. As a result, it became clear that between one kilogram and five kilograms of sarin could have been produced. However, the sarin per se has not been found at the facility.

It depends on the conditions of use, but we estimated that sarin with a lethal effect capable of killing between 2 million and 10 million average-bodied males is missing."

Two million to 10 million victims...a loud gasp of astonishment was heard from the senior officials of the NPA and the MPO.

The Aum cult has consistently contended as follows concerning the large quantity of discovered chemicals.

"The chemicals are used for 'peaceful uses' at such facilities as our printing plant. We have absolutely never manufactured sarin, and have not even trial-manufactured sarin to cope with the poison-gas attacks by the U.S. military."

To be sure, there are also chemicals that are put to 'peaceful uses' at the plants as they contend.

Experts in organic chemistry as well as pundits and journalists have been following the Aum cult leaders on television almost daily. However, according to scholars in the field of chemical weaponry—the 'real experts' who have yet to appear on center stage—"off-key questions are unfortunately conspicuous."

For example, the newspapers and TV reports have presented charts on the sarin production process, but a scholar versed in the chemical weapons manufacturing processes states as follows: "It is reported that there are several kinds of programs for sarin production, but there are actually several dozen kinds. A look at the confiscated chemicals indicates that there is a simpler process to make sarin than is being reported."

It is thus possible that the quantity of sarin production estimated from the data offered by the aforementioned Director Inaba is much greater.

However, the MPO has secretly obtained information which coincides with Director Inaba's data. A senior official of the MPO who received the information during an investigation conference attracted attention by stating: "It is crucial information which may link the Aum cult to the sarin."

The information presented at the investigation meeting was as follows: "Information was provided by an Aum cult follower which stated: 'About August last year, the Aum cult packed sarin in individual liquid-use bags at the plant. After the sarin incident in Matsumoto, it was suddenly decided to move the sarin to another site. When the work was finished, there were 25,000 bags. In terms of the lethal dosage, it is sufficient to kill about 10 million people. The followers were used to transport them to a certain site. They were divided into groups posing as mountain climbers who carried the sarin in backpacks.'

If true, they probably became fearful after the Matsumoto incident that the police might focus on them" (MPO 1st investigation division source).

What location do they mean by "a certain site?" It is the South Alps in Shinshu [Nagano Prefecture]. The spot is Point X (the information included concrete data)" (aforementioned 1st investigation division source).



The Aum cult follower who provided the information reportedly added that Point X where the '25,000 bags of sarin' were buried is presently covered by snow.

Regarding this information, the MPO 1st investigation division adopted a careful posture, saying that "it is still unconfirmed." However, the NPA 1st investigation division which received the information from the NPO showed animated activity. It evinced deep interest in the keyword "liquid-use bags" in the information.

"The fact is, the vinyl bags used by the culprits in the subway sarin incident to scatter the sarin were uniquely remade liquid-use bags.

This fact was kept undisclosed until the YOMIURI SHIMBUN edition of 31 Mar scooped the news.

However, we were concerned about the fact that it might have credibility because the information was received prior to the YOMIURI SHIMBUN article" (NPA 1st investigation division source).

#### **Lethal Dosage for 10 Million Victims**

Sarin can be easily transported in an airtight container—especially in a glass container—and can be preserved for a lengthy period. Tin containers have little erosion resistance against organic sulfur chemicals.

Liquid-use bags were used as substitutes for glass containers to transport sarin in the subway incidents, and a certain degree of safety and practicality was proven. If sarin is contained in such liquid bags and is buried under snow, the sarin which vaporizes under normal temperatures is undoubtedly kept in a safe condition.

At present, an enormous amount of information is being received concerning the Aum cult and sarin, but it is the NPA's judgment that the accuracy of the "South Alps information" is extremely high.

Based on this, Director Inaba of the integrated investigation guidance office has decided to launch a check concerning Point X.

He has already requested cooperation from the headquarters of the various neighboring prefectural police organizations and is ready to send investigators to the site after the 'Golden Week' holidays when the snow begins to melt.

25,000 bags...the total quantity of sarin is unclear. However, the NPA 1st investigation division surmises that the lethal dosage is sufficient to kill more than 10 million people.

Is it a coincidence that the 'difference' between the aforementioned amount of chemicals purchased by the

Aum cult and the quantity of confiscated chemicals generally coincided with the offered information?

There are several points which support the suspicion that the Aum cult produced the sarin.

"Although only the large amount of confiscated chemicals is the subject of debate on television, the more important points must be calmly considered. It is whether the conditions of manpower, money, and materials were adequate for sarin production. Our investigation is going forward in line with such verification" (NPA 1st investigation division).

First, let us consider 'manpower.' Some of the media is said to have reported that "the Aum cult's chemical team of 30 members is targeted and the prefectural police headquarters throughout Japan have been alerted." However, according to information obtained by this magazine's reporting team from several former cult followers, the 'chemical team' has as many as some 300 members.

"The 300 members form a congregation of experts in every field including chemistry, engineering, architecture, electronic engineering, geophysics, biology, and genetic engineering" (a former cult follower).

The NPA 1st investigation division has received similar information. It has already dispatched a list of the approximately 300 members to police headquarters throughout Japan with instructions on data gathering.

#### **Existence of A Staff With Overall Knowledge**

Staff members not yet reported by the newspapers including many with advanced education are as follows: Yoshihiro Hara (completed the PhD course in the science research dept at Hiroshima University graduate school with a major in computer systems), Kazuma Watabe (graduated from the Tokyo Institute of Technology's technological engineering department, production machinery engineering section), Yoshihiro Mitsuzuka (Hokkaido University engineering department research section, majoring in electronic engineering) and Hideki Oka (graduated from Gifu University agriculture department bioproduction system section).

There is also a Self-Defense Force member (Shoichiro Sano) who graduated from the National Defense Academy's applied physics department.

It is unclear whether they all had 'access' to the No.7 Satyan which is reported as the 'chemical weapons plant.' However, the existence of staff members—other than the top leaders—has surfaced, who engaged in research at the No.7 Satyan as an experts group and knew about everything that went on.



According to the testimony of several former followers, the group consisted of the following: Wakakiyoo Togashi (graduated from Higashine Technical High School electronics department; was employed at the Japan Wireless Company technology development division; later entered the priesthood), Michio Nakazawa (graduated from Tokyo Technical College; was employed by the Iwamoto-Gumi; later entered the priesthood), Masaya Takahashi (graduated from Tokyo Metropolitan Technical College electronic engineering department; was employed by Mitsubishi Electric Corporation; later entered the priesthood), Kiyoshi Kaniyama (graduated from Toho University science dept, biology section) and Yoshihiro Hara (mentioned before).

There is also disturbing testimony by former cult followers who say: "Those on the 'chemical team' who require the most surveillance are the ones who carry permits to 'handle dangerous materials.'"

The permits are ranked into A, B, and C, and more than 10 persons have 'C' permits alone.

Two members with 'A' permits can handle the highest level of poisons and must be watched with maximum attention. These two are suspect figures."

Notwithstanding, where did the staffers of the 'chemical team' who are suspected of producing sarin disappear?

Why have they gone underground despite being in a position to give crucial testimony in dispelling the suspicions? The suspicions will merely increase.

Next, let us consider the 'money' aspect.

As this magazine has already reported, the Aum cult and money are inseparable.

It is well known that numerous problems have arisen because a contribution of assets was promised as a condition to the followers who entered the priesthood. There are even lawsuits concerning the transfer of land ownership rights of the followers by the Aum cult without consulting the owners.

Regarding the kidnapping of Kiyoshi Kariya, chief secretary of the Meguro Notary Office, now under investigation by the MPO, it has been disclosed that Kariya's sister sold a golf club membership and donated the huge sum of 60 million yen to the Aum cult.

The Aum cult's personnel file of its believers is said to include, in addition to their resumes, a column for the notation of 'contributions.' If one's virtues are measured by the amount of one's contributions, the followers would naturally compete to give more.

Regarding 'money' also, the Aum cult is clearly blessed with bountiful assets.

### Importance of Removed Equipment

However, 'materials' is considered to pose the most serious problem.

A European expert on chemical weapons points out: "The problem is that the hardware (machinery and equipment) could be considered as more important than the confiscated chemicals.

Assuming that the Aum cult did manufacture sarin, experts in the field could readily confirm the fact by looking at the plant if it remained intact.

They could also judge whether the process was at an experimental stage or at a pilot-test level."

Therefore, attention must inevitably be directed toward the fact that "a number of pieces of equipment has already been removed by the followers from the No.7 Satyan" (NPA 1st investigation division).

In an interview on NHK-TV on 3 April, chemical team 'captain' Hideo Murai explained that "because of a failure in an agricultural chemical experiment, they feared suspicion by the police and destroyed a part of the machinery," but it lacks credibility to convince the nation.

Why are the senior cadres of the Aum cult led by Shoko Asahara still in hiding? The Aum cult is suspected of committing 'heinous crimes' in connection with the 'subway sarin incident,' and it is facing a crucial situation concerning the very survival of the organization. The (NHK) explanation totally lacks any persuasiveness at this juncture.

Guru Shoko Asahara cannot be located at the hotel in Shinjuku, Tokyo, which was highlighted most prominently at one time. On 21 March, the day before his house was searched, the Mercedes-Benz constantly used by Asahara and the Rolls-Royce used by his family left from Yamanashi escorted by a cordon of cars, but they actually contained dummies without anyone inside.

The Aum cult followers arrested on 30 March in Fujinomiya City, Shizuoka Prefecture, for possession of numerous chemicals and on suspicion of violating the ban on handling of poisonous and deadly materials used noncult persons to rent cars. It was an elaborate 'means of escape.'

The possibility that Shoko Asahara used the same means cannot be ruled out.

According to Justice Ministry immigration bureau sources, on 6 March prior to the forced search by the MPO, Minister Reika Matsumoto— Asahara's third daughter and the cult's No.3 leader, and Minister



Kazuko Matsumoto—Asahara's wife, applied for passports at the Shizuoka Prefectural Office. The MPO conducted the raid before the passports were received.

Why would the symbolic figure of the organization prepare to flee overseas at a time of the 'cult's crisis?' How do the general followers construe this act which could be interpreted as an escape plan for only the guru's family?

An official of the MPO 1st investigation division analyzes that "the crucial phase of the investigation will come immediately before the 'Golden Week'."

It is hoped that the terrorist acts contended by the Aum cult to be "acts to entrap us" will not recur.

### Mongolia

#### Government Designates 1996 'Year of Education'

OW2607095695 Beijing XINHUA in English  
0814 GMT 26 Jul 95

[FBIS Transcribed Text] Ulaanbaatar, July 26 (XINHUA) — The Mongolian Government has decided to set 1996 as "year of education" to rally greater efforts to improve education in the country.

An organizing committee, headed by Deputy Prime Minister Lhamsurengiyn Enebish, will be set up to make preparations for the "year of education" and for a national teachers' conference to be held in the same year.

In the nation's transition to a market economy in recent years, education departments of Mongolia, middle schools in particular, have been strongly battered.

The middle school enrolment shrank from some 440,000 in 1990 to 380,000 in 1994, while teachers flowed out in large numbers.

Meanwhile, inadequate government spending on education has led to bad teaching conditions and lack of teaching materials.

### North Korea

#### Kim Yong-sam's U.S. Trip Denounced

SK2707101195 Pyongyang KCNA in English  
1003 GMT 27 Jul 95

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The spokesman for the National Democratic Front of South Korea (NDFS) released a statement on July 24 condemning the traitor Kim Yong-sam's U.S. trip. Seoul-based radio Voice of National Salvation reported.

The spokesman said:

The South Korean people from all walks of life are exasperated at his flunkeyist, treacherous tour aimed

at dispelling the increasing social uneasiness, emerging from the serious ruling crisis and diverting elsewhere public resentment from his regime.

He further said:

The traitor Kim is now visiting the United States in the hope of saving himself from the catastrophic crisis with the backing of the U.S., his master. But it is a daydream.

He has gone to the U.S. to style the provoker of the war as "guardian deity" and embellish the June 25 war of aggression, going against the trend towards peace and reunification of the Korean peninsula.

Through his junket our people clearly see again his ugly color as a flunkeyist and traitor.

His U.S. trip will result only in precipitating his own destruction.

The traitor is left with no other choice but to admit his monstrous crimes and unconditionally step down from power without delay as demanded by all the people.

#### South's Treatment of Foreign Workers Criticized

SK2707052495 Pyongyang KCNA in English  
0447 GMT 27 Jul 95

["S. Koreans' Gangsterism Abroad" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — A superintendent of the Kuwait-based office of South Korea's Hyundai Engineering and Construction Co., Ltd. beat a hired man from India until he fell into a critical condition. This comes under fire in MINJU CHOSON today.

This outrage is an unpardonable international gangsterism and a human rights abuse, the analyst says, and goes on:

The South Korean puppets' human rights abuses and crimes against foreigners have continued, inviting worldwide denunciation.

South Koreans pierced a Ghanaian seamen to death with a kitchen knife on a fishing boat and put young men from Benin, Sierra Leone and other countries into empty boxes and threw them into the Atlantic Ocean teemed with sharks. Another South Korean pierced a foreign youth with a knife to put him into a serious condition when the latter prevented him from raping a Guinean woman.

All this goes to show that the South Korean "civilian" rulers' talk about the "building of a society of justice"



and "cooperation and exchange" with developing nations is nothing but a trick to veil the miserable situation of South Korea, the most horrible graveyard of human rights in the world, and extricate themselves from their internal and external isolation which is getting ever more serious.

The world people will never tolerate the South Korean rulers, who have connived at South Korean gangsters continuing human rights abuses and crimes even abroad against foreign workers.

### **Reportage on Plans for Pan-National Rally**

#### **South Committee's Declaration**

*SK2707102195 Pyongyang KCNA in English  
1006 GMT 27 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The Seoul promotion committee of the sixth pan-national rally for the peace and independent reunification of the country made public its inaugural declaration on July 21, according to a report.

The inaugural declaration said:

Now we patriotic forces for reunification should put an end to the division of the nation and march toward great pan-national unity. Herein lie the road of national reunification and the sure way of national resurrection.

We will actively strive for the abolition of the "National Security Law", an institutional barrier of national division, the release of prisoners of conscience and the legalization of the National Alliance for the Country's Reunification.

We will make all our efforts to have the Armistice Agreement rescinded and replaced with a peace agreement, ensure a state of peace in the Korean peninsula and get the U.S. troops withdrawn from South Korea.

We will agree on and confirm the proposal for national reunification through confederal formula based on independence, peaceful reunification and great national unity and diffuse it on a nation-wide scale.

We will make the sixth pan-national rally and joint celebrations of the 50th anniversary of the August 15 liberation a nation-wide event in the North, the South and abroad.

#### **Preparatory Committee Meets**

*SK2707052195 Pyongyang KCNA in English  
0439 GMT 27 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The 15th meeting of the North side Preparatory Committee of the Grand National Reunification Festival

Marking the 50th Anniversary of National Liberation was held in Pyongyang on July 26.

Chairman Kim Yong-sun, Vice-Chairmen Paek In-chun, An Pyong-su and Paek Nam-chun and members of the committee and officials concerned participated in the meeting.

After hearing a report on the preparatory work of the festival, they discussed matters for a successful holding of the festival.

They highly appreciated the achievements in the preparations of the festival, including the inauguration of the national preparatory committee of the festival involving the North, the South and overseas, representing the hope and desire of the entire fellow countrymen to successfully celebrate the 50th anniversary of the national liberation as the nation's common function.

They discussed concrete measures for a more vigorous promotion of the preparations of the festival in the last stage.

The form, content and programme of functions of the festival were discussed and defined at the meeting.

#### **South's Ban Decried**

*SK2707044995 Pyongyang KCNA in English  
0435 GMT 27 Jul 95*

["S. Korean Authorities Accused of Trying To Block Reunification Festival"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — A spokesman for the North side headquarters of the National Alliance for the Country's Reunification issued a statement July 26 denouncing the South Korean authorities' vicious attempts to block the grand national reunification festival marking the 50th anniversary of national liberation as a never-to-be-condoned criminal act to perpetuate the tragic division of the nation.

The spokesman said:

By refuting the joint agreement of the North, South and overseas preparatory committees of the festival and trying to block the festival, the South Korean authorities showed that they do not want the Korean nation to unite and cooperate in the patriotic cause.

However desperately they may try, they will not be able to break the people's will to decorate the 50th anniversary of national liberation with a grand joint reunification festival of the nation and open a new phase for great national unity and reunification in the 1990s.

The North side headquarters of the National Alliance for the Country's Reunification will unite and keep step



with all organisations of the alliance and people at home and abroad and more courageously fight to frustrate the obstructive attempts of the anti-reunification separatists and successfully hold the festival and the 6th Pan-National Rally.

#### **Paper Supports Festival**

SK2707103795 *Pyongyang KCNA in English*  
1026 GMT 27 Jul 95

["National Reunification Festival Must Be Held" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — MINJU CHOSON today comes out with a signed article laying stress on the agreement of Koreans in the North, the South and overseas to form the North, South and overseas preparatory committee for the grand national reunification festival celebrating the 50th anniversary of the country's liberation.

With the agreement on forming and operating the national preparatory committee, a foundation has been laid to push ahead with the grand national reunification festival in a unified way in a short time and a condition has been created to open up a new phase in great national unity and national reunification, the article says.

Turning to the decision of the South Korean authorities not to allow a Panmunjom joint meeting of the grand national reunification festival, the article says:

This is a grave challenge to the desire of the nation for reunification.

All that wish reunification in the 1990s should uphold the nation's common cause of making a breakthrough in national reunification by jointly celebrating the 50th anniversary of the country's liberation, transcending differences in residence and affiliation, and actively turn out in the work for its realisation in firm unity.

#### **Unions Send Letters to Groups in South**

SK2307081695 *Pyongyang KCNA in English*  
0809 GMT 23 Jul 95

[FBIS Transcribed Text] Pyongyang, July 23 (KCNA) — The Central Committee of the Union of Agricultural Working People of Korea and the Central Committee of the Korean Democratic Women's Union sent letters Saturday [22 July] respectively to the National Council of Peasants Organizations and the Federation of Women's Organizations of South Korea concerning successful holding of a grand national reunification festival marking the 50th anniversary of the country's liberation.

The letters said that if the festival is held successfully, it will be greatly conducive to removing the deep-rooted misunderstanding and distrust between the North and the South, promoting national reconciliation and unity and hastening the country's reunification with concerted efforts of all the fellow countrymen.

They expressed the hope that all the peasants and women of South Korea will unite closely with a patriotic will for reunification and struggle more vigorously to smash all the obstructive moves of the separatists and hold the festival.

#### **Confederal Republic Proposal 'Most Realistic'**

SK2707111595 *Pyongyang KCNA in English*  
1033 GMT 27 Jul 95

["Proposal for Founding DCRK, Shortcut to Reunification" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The proposal for founding the Democratic Confederal Republic of Koryo [DCRK] put forward by the great leader Comrade Kim Il-song is the most realistic and reasonable, just and fair proposal for reunification as it embodies the three principles of national reunification — independence, peaceful reunification and great national unity — and the great principle for the method of national reunification — to reunify the country by means of confederation based on one nation, one state, two systems and two governments.

A by-lined article of NODONG SINMUN today says this and goes on:

The proposal for founding the DCRK, a new proposal for reunification of Korean style, was advanced by Comrade Kim Il-song in his lifetime for the Korean people as a shortcut to achieve national reunification peacefully at an early date.

The proposal was put forward at the historic 6th Congress of the Workers' Party of Korea, in October 1980.

Comrade Kim Il-song said:

"Our party maintains that the country should be reunified by founding a confederal republic through the establishment of a unified national government on condition that the North and the South recognize and tolerate each other's ideas and social systems, a government in which the two sides are represented on an equal footing and under which they exercise regional autonomy with equal rights and duties."

The proposal is based on the view that differences in ideas and systems of the North and South can never



stand in the way of reunification as the entire nation unanimously regard reunification as most important. It indicates that the North and the South smoothly achieve reunification without fighting each other.

The founding of the DCRK is the most correct way to solve the question of reunification independently and peacefully in reliance on the united forces of the entire nation in conformity with the nation's common demands and will.

Noting that this proposal has been accepted by the entire fellow countrymen, the article stresses that if the nation's common way of reunification is discussed and defined at the great national conference at Panmunjom where representatives of all parties, groups and all strata in the North and the South of Korea and overseas will be present, a decisive phase will be opened for reunification in the 90s.

#### **Mun Ik-hwan's Widow Tours Art Film Studio**

SK2607021995 *Pyongyang Korean Central Broadcasting Network in Korean*  
1300 GMT 25 Jul 95

[FBIS Translated Text] Presbyterian Pak Yong-kil, representative of the Group for Greeting Reunification by 70 Million Fellow Countrymen, co-chairman of the Council of the Family Movement for Achieving Democracy, and widow of Reverend Mun Ik-hwan, toured the Korean Art Film Studio today. She was accompanied by Chong Kyong-mo, a Korean resident in Japan who is representative of the magazine SSIARUI HIM.

Madame Pak Yong-kil looked around indoor and outdoor facilities of the studio, including its recording facilities.

After looking around the facilities, she left the following letters on the visitors' log: Life is short and art is long. The sky is high and clear and the water is incredibly clean in this country of the Orient. Let us remove the 38th parallel with vigorous wisdom and courage. Glory to the land of the rising sun.

[Dated] 25 July, Year of the 50th anniversary of living, and wishing for reunification.

[Signed] Pak Yong-kil

In the meantime, she saw a music and dance performance at Ponghwa Art Theater in Pyongyang, yesterday evening.

#### **Japan Must Liquidate Past With Reparations**

OW2607170595 *Pyongyang KCNA in English*  
1515 GMT 26 Jul 95

[FBIS Transcribed Text] Pyongyang, July 26 (KCNA) — Japan must liquidate the past with an official apology of the government and overall state reparations.

A delegation of the DPRK measure committee for compensations to the "comfort women for the army" and the victims of the Pacific war said this at a recent international forum of the International Commission of Jurists on the wartime slavery held in Japan.

Head of the delegation Paek Pong-kyu said in his speech that the crime of the Japanese imperialists who forcibly took away a large number of people from Korea and other Asian countries, forced them to slavery labour and murdered them in groups in the past is a heavy encroachment upon human rights and a war crime reminding them of mediaeval enslavement in its scope, means and method.

The Japanese Government must investigate and make public the truth behind the forcible draft of Koreans and their forced labour, officially admit responsibility and apologize or it and pay state reparations to the former "comfort women for the army" whose human rights were violated during the war and their bereaved families as well as to six million survivors and victims of the forcible draft and their bereaved families, he said, and stressed:

The Japanese Government must secure an inter-governmental settlement of the "comfort women for the army" issue, the forcible draft issue and all other crimes, taking into consideration the special status between Korea and Japan with no liquidation of the past.

Member of the delegation Pak Song-ok in her speech branded the Japanese imperialists' crime of drafting "comfort women for the army" as the organized and systematic enslavement of modern version, critical encroachment on human rights with which the Japanese government and military drafted more than 200,000 women by force, maltreated them, forced them to be sexual slaves for the army and murdered them in cold blood as the wartime state policy.

She said that the Japanese Government must make an official apology for the past misfortunes and sufferings upon the Korean and other Asian peoples with an honest stance, declare to the world that it will not repeat such war of aggression, and pay state reparations in token of sincere and practical attitude.



Member of the delegation Dr. Kim Tok-ho emphasized in his speech that the Japanese imperialists' fabrication of "Ulsa Five-Point Treaty" in 1905 was the unheard-of action to deprive an independent state of sovereignty by force of arms in a brigandish and fraudulent way and scrape Korea off the world map.

Accordingly, he said, Japan's liquidation of the past in Korea will be fair and aboveboard and definite only with overall state reparations for the 40 odd-year human and material damages from a special status quite different from other damaged countries.

#### **Month of Solidarity With Cubans Begins**

SK2507115095 *Pyongyang KCNA in English*  
1015 GMT 25 Jul 95

["NODONG SINMUN Supports Cuban People's Struggle" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 25 (KCNA) — An article of NODONG SINMUN today notes that a month for solidarity with the Cuban people begins today. It will greatly contribute to the strengthening of the friendship and militant solidarity between the Korean and Cuban peoples who are vigorously advancing along the socialist way.

The author of the article says:

The Cuban people today vigorously advance along the road of socialism, their own choice, overcoming manifold difficulties and trials.

Achievements of the Cuban people in the teeth of isolation and blockade by the imperialists clearly prove the justness of their cause.

The Korean people have regarded the righteous cause of the Cuban people as their own and fully supported and solidarized with the Cuban people. This remains invariable.

Further developing friendly and cooperative relations between Korea and Cuba not only accords with the fundamental demands and interests of the two peoples but greatly contributes to the common cause of the world revolutionary peoples for anti-imperialism, independence and socialism.

The Korean people will fully support the Cuban people's struggle and vigorously strive with them for the common cause in the future, too.

#### **Peruvian Military Attache Hosts Banquet**

SK2607044795 *Pyongyang KCNA in English*  
0429 GMT 26 Jul 95

[FBIS Transcribed Text] Pyongyang, July 26 (KCNA) — Military attache of the Peruvian Embassy here Bernard Cristian Braunluy [spelling of name as received] gave a banquet the Pyongyang Koryo Hotel on the evening of July 25 on the occasion of the Peruvian Independence Day.

Invited to the banquet were Colonel General Kim Chong-kak and other generals and officers of the Korean People's Army and military attaches of different embassies in Pyongyang.

Speeches were exchanged at the banquet.

#### **Bulletin on Korea Published in Ukraine**

SK2707103095 *Pyongyang KCNA in English*  
1016 GMT 27 Jul 95

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — A bulletin titled "42nd Anniversary of Victory of the Korean People in the Fatherland Liberation War" was published by the Ukraine-DPRK Association on July 21.

The bulletin said:

July 27 is the day of second liberation when the Korean people defended the sovereignty of the nation. His Excellency Kim Il-song, the great leader of the Korean people, with matchless courage and iron will led them to defeat aggressors with a counterattack during the rigorous period of the war decisive of the destiny of the fatherland and people.

The victory in the war was a great victory of His Excellency Kim Il-song's outstanding military idea, strategy and tactics and war method and showed that no force on earth can bring a people to their knees if they are firmly united around the leader.

It demanded that the United States give up new war provocations on the Korean peninsula at once and sincerely respond to the proposal of the DPRK to replace the Armistice Agreement with a peace agreement and establish a new peace mechanism.

#### **Kim Chong-il Fortifies Chuche of Revolution**

952C0139B *Pyongyang NODONG SINMUN*  
in Korean 9 Mar 95 p 3

[By reporter Yun Kye-kun: "Embracing Wishes of the People: He Leads the Revolution Along the Road of



Sure Victory with Foresight, Looking Into the Distant Future of Socialism"]

[FBIS Translated Text] Our way of socialism, centering on the masses of people, is shining the world over.

How could our people carve their way along the untrodden, long and steep path to socialism so successfully without the slightest biased tendency or meandering?

The great leader Comrade Kim Il-song taught:

**"Only under the correct leadership of their leader can the people achieve brilliant results in a revolution and construction and advance along the road of sure victory."**

Whenever we look back from atop the height of socialism where we stand today, at the long, long course of the march, the feelings that strike our hearts are about the sagacity of the leadership of the great leader [yongdoja] Comrade Kim Chong-il—who has led our socialist cause along the road of sure victory with brilliant wisdom and clairvoyant foresight—as well as about the immortal leadership achievements of our Leader, who had charted the socialist cause.

How could anyone even imagine the present, proud realities of Socialist Korea but for the tested leadership, radiant with rare foresight and wisdom, of the great leader [yongdoja] Comrade Kim Chong-il—who looks far into the distant future of socialism with clairvoyant foresight, establishes correct lines, scientific strategies and tactics in advance, and who resolves all difficult, complex problems lying on the way with foresight?

On a September day some years ago:

The great leader [yondoja] Comrade Kim Chong-il, at a meeting with functionaries, made comments on grave tendencies detrimental to the image of socialism under way in some countries, in which he proudly referred to the correct lines and policies that have been embodied by our party.

The respected and beloved Comrade Kim Chong-il taught the functionaries that in socialist construction, while it is of course important to lay firm material and technological foundations and improve methods of economic management, it is more important to strengthen the *chuche* of the revolution. Only by strengthening the *chuche* of the revolution, he said, can we make good progress in remaking nature and society, be the winner in fighting enemies, and ward off ideological and cultural infiltrations by imperialists. He emphasized that it was because our party had consistently consolidated the *chuche* of the revolution, enhancing its role, that it could successfully lead socialist construction amid the incomparably arduous and complex environment.

The sagacious leadership of the respected and beloved Comrade Kim Chong-il, who, based on his scientific elucidations of the true nature of socialist society, saw to it that the *chuche* of the revolution is strengthened and its role infinitely enhanced in socialist construction!

It was a show of preeminent foresight enunciating most correctly the course of the socialist cause with rare wisdom and scientific insight, made at a time when many people in other countries were still fettered to the limitations of old socialist theories and distressed by their inability to find a correct method of socialist construction.

First of all, the great leader [yondoja] Comrade Kim Chong-il put top priority on strengthening and consolidating our party organizationally and ideologically.

At the same time, he saw to it that ideological indoctrination was stepped up vigorously, with the focus on establishing the unitary ideology system of the party, and thereby indoctrinated and remolded all members of society into *chuche*-type communist revolutionaries and banded them solidly around the party.

In retrospect, if the respected and beloved Comrade Kim Chong-il had failed to push ahead with programs for building up the wholehearted unity of our revolutionary force with foresight, how could anyone imagine such a socialist cause as ours, which is tracking on a triumphant path totally unperturbed, even in the present complex situations?

It dates back to a day a few years prior to the collapse of socialism in various countries:

On that day, the respected and beloved Comrade Kim Chong-il, while talking to functionaries, referred to the chaotic situation developing in a certain country. He said that the "winds of reorganization" would ruin the country, that the banner of socialism would be taken down in a matter of a few years and a "capitalist" wind would take over in that country, and that such developments would spawn friction among component nationalities and give rise to some untoward incidents.

History would show whether his predictions will come true or not, said the great leader [yondoja] Comrade Kim Chong-il. He then pointed out:

**"Politicians should be able to look into the future. To be able to look into the future correctly, they must have their own ideologies and views, methods and ingenuities."**

It is necessary, the great leader [yondoja] Comrade Kim Chong-il continued, that we correctly foresee the future of those countries which had been building



socialism, and take appropriate measures to cope with related developments. Whatever winds might blow, he emphasized, we must defend and adhere to our party lines and policies thoroughly.

A few years later, as the functionaries witnessed the grave developments—the collapse of socialism—in various countries, they all were even more deeply impressed with the foresight of the great leader [yongdoja] Comrade Kim Chong-il.

To abandon the revolutionary principle in the critical struggle between socialism and capitalism means nothing but surrender and betrayal.

When people in other countries were clinging to "reform" and "reorganization" and demanding "liberalization" in ideology and "multiparty system" in politics, under the pretext of a "new environment," the great leader [yongdoja] Comrade Kim Chong-il made sure that indoctrination was stepped up in the *chuche* ideology, revolutionary traditions, and in party policies to consolidate the ideological position of socialism into an impregnable fortress, and that the leadership functions and role of the party were further enhanced to thoroughly guarantee the unitary leadership of our party for the revolution and construction. He thus built our way of socialism into a socialist fortress and an invincible citadel, knowing no wavering or faltering in any raging storm.

Among the revolutionary slogans put forth before our party and people by the great leader [yongdoja] Comrade Kim Chong-il each time, there were:

**"Let's Live Our Way of Life!" "Let's All Live and Fight Heroically!" —**

Looking back, it was at the Chestnut Valley in Oun-tong on that significant day in the early 1960's when he showed his first revolutionary slogans aimed at strengthening the unity of ideological will and the solidarity of party members based on the revolutionary ideology of the great leader. From that day until this day in the mid-1990's, those slogans have led the march of our revolution, each as an immortal banner. How moving it is — the sagacity of the leadership embroidered in those slogans, the leadership of the respected and beloved Comrade Kim Chong-il, who, with his foresight, has led our socialist cause along the road of sure victory!

Our respected and beloved Comrade Kim Chong-il, who looks into the future of the *chuche* industry even over a piece of automation equipment, and who, even over such simple matters as housing designs and factory sites, thinks first about ideals of people living in the

communism's distant future days and about clean water and air for the fatherland!

There is the line of the three revolutions—the ideological, technological, and cultural revolutions—; the line building the socialist self-supporting national economy; and the line of building *chuche*-oriented military forces, plus policies relating to those lines. There are the revolutionary economic strategies and all other lines and policies set forth by our party in the political, economic, cultural, military and all other spheres. Of every new policy and revolutionary measure, of every new street and building, as well as the foregoing lines, policies and strategies, there is none not reflecting the sagacious foresight of the respect and beloved Comrade Kim Chong-il, who considers not only today but also the distant future of the fatherland.

Indeed, how vividly is this great leader's [yongdoja] extraordinary foresight also reflected in his leadership that has seen to it that we go forward bearing aloft the relay baton of the revolution in conformity to the realistic demands of the revolutionary cause of *chuche*, the socialist cause, which continues from generation to generation!

His foresight! With it, he looks ahead into the distant future of socialism, establishes the most correct lines, policies, and watertight measures, and leads our socialist cause along the road of sure victory without the slightest bias or meandering.

Firmly guaranteed in his great leadership radiant with wisdom is the bright future of our country, our fatherland, and the great future of socialism.

#### **Kim Chong-il Work Studied Abroad**

SK2707043195 *Pyongyang KCNA in English*  
0421 GMT 27 Jul 95

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The great leader Comrade Kim Chong-il's famous work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism" was studied in Madagascar, India and Zaire.

Seminars on this work were held by the Society for the Study of the *Chuche* Idea of the University of Madagascar and the Indian Society for the Study of Works of Kim Chong-il.

Speakers stressed:

His Excellency Kim Chong-il in this work again clarified the unique revolutionary theory to consolidate and develop socialism and indicated the most scientific way of accomplishing the *chuche* cause started by his excellency President Kim Il-song.



It is a truth proved by history that the corruption of socialism begins with ideological corruption, and that a break-down on the ideological front results in the crumbling of all socialism's fronts and ends in the total ruin of socialism.

Firmly arming the popular masses with socialist ideology is a decisive guarantee for strengthening the motive force of socialist society and for enhancing its role, so as to move the revolution and construction forward at full steam.

Reading sessions on the work were sponsored by the Zairean Youth Group for the Study of the Chuche Idea and the Kinsasha Group for the Study of the Chuche Idea of Kim Chong-il in Zaire.

#### **People in South 'Support' Kim Chong-il's Work**

*SK2707102995 Pyongyang KCNA in English*  
1013 GMT 27 Jul 95

["Leader Kim Chong-il, Great Guardian of Socialism" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — Chuche idea followers and intellectuals in South Korea warmly support the great leader Comrade Kim Chong-il's famous work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism," the Seoul-based radio Voice of National Salvation reported.

The members of the independence society in Masan, South Kyongsang Province, listened to the work over tape recorder and held a seminar.

The chairman of the society told the seminar that the theory of attaching importance to ideological work, which was reiterated by the leader Kim Chong-il, is a universal truth of the era, which the countries that build or aspire after socialism should take as the guidelines.

"Although socialism is undergoing twists and turns, it will no doubt emerge victorious, thanks to the great leader Kim Chong-il, a benevolent guardian of the socialist cause," he said.

Prof. Kim who is a member of the chuche idea study society in Pusan described the leader Kim Chong-il's idea of giving priority to ideological work in the socialist cause as an omnipotent weapon for victory in the movement of social revolution and as an invincible banner which leads humanity to an ideal society.

"The leader Kim Chong-il is a genius and a prominent statesman whom humankind should worship because he set an example of socialist society and indicates how humankind should advance with his idea and theory of social construction which were verified in practice," said the professor.

Kim Song-hun, a member of the independence philosophy society, in Sodaemun district, Seoul, said:

"The leader Kim Chong-il said socialist society is guided by socialist ideology and developed by the impetus of this ideology. This is an absolute truth which he discovered in the course of leading chuche socialism in the North and analysing the frustration of socialism in East Europe."

Sin Sun-ho of a university in Pusan highly praised General Kim Chong-il as a great thinker-theoretician and a philosopher with the highest authority. He added:

"Some people wished 'confusion' in the North, which is closely united in ideology, observing it as they did East Europe, but the work of the general proved that their dream is foolish. We must regard this work as the key to victory in the revolutionary movement in South Korea."

#### **Signing of 1953 Armistice Agreement Described**

*SK2707103695 Pyongyang KCNA in English*  
1022 GMT 27 Jul 95

["Witnesses of War Victory" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — Panmunjom is located about eight kilometres south-east of Kaesong.

There a conference room of the ceasefire talks and a house where the Armistice Agreement was signed are preserved as witnesses of the historic victory in the fatherland liberation war (1950-1953). A large number of foreigners visit them.

The U.S. imperialists provoked a war of aggression on June 25, 1950 to swallow the Democratic People's Republic of Korea which was less than two years old. They mobilized in the Korean war one third of their Army, one fifth of their Airforce and most of the Pacific Fleet armed with up-to-date military equipment, troops of their satellite states, the South Korean puppet Army and Armed Forces of Japanese militarists, millions of troops in all, and a huge quantity of combat and technical apparatuses.

But the aggressors suffered serious military, political and moral setbacks in face of the struggle of the heroic Korean people and People's Army to defend their motherland at the risk of blood. Driven into a tight corner, the U.S. imperialists raised ceasefire talks to the DPRK side. 26 rounds of talks were held at Naebongjang, Kaesong, from July 10, 1951. The U.S. imperialists unilaterally brought the talks to a rupture when they could not have their brigandish demand met.



They came out to the negotiation table again, having suffered a defeat in all sectors of the front in face of the strong attack of the Korean People's Army. The ceasefire talks were resumed at Panmunjom from October 25, 1951 to July 27, 1953.

At 10:00, July 27, 1953, the U.S. imperialists bent their knees before the heroic Korean people and signed the Armistice Agreement at the signing place in Panmunjom.

The Korean people defeated the aggressors and won victory.

Clark who was then commander-in-chief of the U.S. Far Eastern Forces and commander of the "UN Forces" said in his reminiscences that what he got in executing the orders of the government was the ill fame that he was the first U.S. commander who signed the agreement on ceasefire without winning a victory.

#### **Kim Il-song's 'Immortal Feats' Lauded**

*SK2707053495 Pyongyang KCNA in English*  
*0508 GMT 27 Jul 95*

[**"NODONG SINMUN on Comrade Kim Il-song's Feat in Winning Korean War" — KCNA headline**]

[**FBIS Transcribed Text**] Pyongyang, July 27 (KCNA) — Imperishable will be the feat performed by the great leader Comrade Kim Il-song in bringing about the second liberation of the country, says NODONG SINMUN today in an editorial dedicated to the 42nd anniversary of the Korean people's victory in the fatherland liberation war (July 27, 1953).

The war which broke out on June 25, 1950, was a decisive one for the Korean people to defend the dignity and sovereignty of the nation won by Comrade Kim Il-song through the bloody anti-Japanese revolutionary struggle. If they had failed to win, they would have been reduced to slaves of the imperialists again and lost all the happiness they had enjoyed in the new country after the country's liberation (August 15, 1945). This is why the Korean people consider July 27 the day of the second liberation that fully defended the nation's sovereignty and dignity.

Comrade Kim Il-song led the rigorous fatherland liberation war to victory to save the destiny of our country and nation and bring the day of the second liberation to our people. This is a distinguished one of the immortal feats he performed in his 80 odd years long life.

The editorial quotes the great leader Comrade Kim Chong-il as saying:

"The great leader Comrade Kim Il-song led our party and people to a brilliant victory in the rigorous father-

land liberation war, bearing the brunt of the party, state and military affairs and going through manifold hardships and ordeals."

The editorial continues:

His leading the war to victory was a historical event of particular note in our people's struggle for independence, sovereignty and socialism.

In the grimmest war our people defeated the armed invasion by the U.S. imperialists, who were boasting of being "strongest" in the world, and their satellites. At that time, our Republic was two years old. So, the world people were very worried about our destiny.

But our people and army rose up determinedly to win a great victory in the grim war against the imperialist aggressors and demonstrate the mettle of heroic Korea to the whole world. This was because Comrade Kim Il-song, an ever-victorious iron-willed brilliant commander, led the war in the van.

Ours was a great victory of the outstanding military idea, strategies, tactics, chuche-based war method and commanding art of the respected leader Comrade Kim Il-song with an iron will, indomitable faith and infinite devotion to the country and the people. Apart from the great victory in the fatherland liberation war under the leadership of Comrade Kim Il-song, we cannot think of our nation's destiny which was saved again and the ever victorious revolution of ours and its future. All the valuable things of our people, the epoch-making changes which have taken place on this land since the ceasefire, are linked with the second liberation.

Since he triumphantly led the war, our people have become a heroic people who firmly defended the dignity and sovereignty of the country and the nation from the imperialists' aggression. As he brought about this historical day, he is always praised as the defender and savior of the destiny of our country and nation.

#### **Kim Kwang-chin Speaks at Anniversary Meeting**

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[Report by Kim Kwang-chin, member of the Central Military Commission of the Workers Party of Korea and vice marshal of the Korean People's Army, at a central report meeting marking the 42d anniversary of the "victory in the fatherland liberation war," at the 8 February House of Culture in Pyongyang — live]

[**FBIS Translated Text**] Comrades. Today, amid the vibrant environment of vigorously accelerating the overall socialist march, we are significantly welcoming the 42d



anniversary of the victory in the fatherland liberation war, when all the people of the whole country and officers and men of the People's Army are overflowing with seething enthusiasm of loyalty and new fighting spirit after having most piously and solemnly commemorating the first anniversary of the great leader [suryong] Comrade Kim Il-song's death and subsequently experiencing the passionate event of eternally preserving the fatherly leader [suryong] at the supreme sacred site of chuche.

The 27 July memorial day of the victory in the war, which will be brilliantly recorded in the chronicles of our revolution, is a significant second day of liberation in which our people, who became the true masters of the state regime for the first time in its history, heroically defeated the imperialist aggression during the inexperienced period when [our people] first stepped forward in the construction of a new society and honorably defended the country's independence and the nation's sovereign rights.

While welcoming this historic day, filled with boundless minds of love and respect, along with all the people of the whole country and officers and men of the People's Army, we all are expressing the most lofty respect and giving the greatest honor to the great leader [suryong] Comrade Kim Il-song, who led the anti-U.S. revolutionary war to brilliant victory through his gifted military ideology and outstanding and refined leadership, and thus saved the country's and people's fate and highly manifested our nation's heroic spirit. [applause]

On the occasion of the significant anniversary of the victory in the war, upon the authorization of the respected and beloved Comrade Kim Chong-il, who is the chairman of the DPRK National Defense Commission and supreme commander of the Korean People's Army [KPA], under the name of the Political Bureau of the Workers Party of Korea's [WPK] Central Committee, the party Military Commission, and the DPRK National Defense Commission, I enthusiastically congratulate all the people, the gallant People's Army, and the officers and men of the People's Security Forces who fought courageously to defend the fatherland's freedom and independence and who are today establishing brilliant feats in socialist construction and at the posts to defend the fatherland. [applause]

In addition, I enthusiastically congratulate the old anti-Japanese fighters, old soldiers of the fatherland liberation war, veterans, discharged soldiers, and families of the soldiers of the People's Army who fought to defend the fatherland's independence and the gains of the revolution by shedding blood during the arduous days

of war and who are devotedly struggling today for the party and revolution. [applause]

Also, I express respect to the heroic fighters of the People's Army and patriotic martyrs who were sacrificed after fighting courageously to desperately defend the party, the Republic's regime, and the people's democratic system during the heated fatherland liberation war period. [applause]

Comrades. Forty years have passed since the sounds of fire, heard during the extremely ghastly fatherland liberation war, stopped.

History has come a long way, but our people's great victory in the fight against the armed aggression of the U.S. imperialists is still a brilliant example today and a valuable lesson to implementing the cause of the popular masses for anti-imperialism and independence. The victory vigorously encourages the struggle of our people and the revolutionary people in the world. The victory achieved by our people during the past fatherland liberation war was a victory of the ideological and political might of the revolutionary people and the Army, who courageously rose to the holy war of justice under the leadership of the great leader, being deeply aware of the justness of their cause. [applause]

The three-year war fought by our people, who had been just liberated, against powerful imperialist enemies who were proud to call themselves the strongest in the world, was a fight of life or death that decided whether our people would again become colonial slaves or would safeguard national dignity. The U.S. imperialist aggressors deployed to the Korean front millions of troops armed with modern military equipment and the newest massive combat technology. They tried to bring our people to their knees using all of the most brutal and beastly war methods. During the arduous war, the likes of which had never been seen before, our People's Army and people destroyed the allied forces of the world's imperialists and defended the sovereignty and independence of the fatherland. They strongly proved that the ideological and political strength of the independent people under the leadership of the great leader is the basic source of victory in all the revolutionary struggles. [applause]

The ideology and consciousness of independence plays a decisive role in pioneering the destiny of the country and the people. The immortal chuche idea proves that when the people and the Army come forward to take charge of the revolutionary cause with a thorough spirit of independence, they can overcome any difficulty and defeat any adversary. This is a truth verified by our people's glorious anti-Japanese struggle. The U.S. imperialists made an arrogant plan to seize the Republic



at a single blow with their military and technological superiority, but failed to break the ideological and political strength of our people, who were indoctrinated by the great revolutionary ideology, inherited the glorious anti-Japanese revolutionary tradition, and who were firmly united around the leader as strong main forces of the revolution.

Our people as well as officers and men of the People's Army rose as one in the holy war to smash the imperialist aggressors following the leadership of the great leader Comrade Kim Il-song, and bravely fought to unsparingly display their indomitable revolutionary spirit and lofty patriotism. Through the painful experience of the past, officers and men of the People's Army learned deeply in their hearts that without the fatherland, there is no life or future. They displayed the courage of the phoenix at fierce battles for the party and the leader, and for defending the fatherland.

With the self-sacrificing spirit of hero Yi Su-pok, who considered unhesitatingly devoting his life to the only fatherland as the utmost happiness, all soldiers of the People's Army devoted their youths and lives in waging the bloody war and created in successive military miracles unprecedented in war history. Defenders of hill no. 1211, who poured thousands of bullets and guns and defeated the enemies pouncing upon them scores of times every day, and who vigorously fought with faith and optimism in victory; the soldiers of the coastal artillery company of Wolmi Island, who fought against some 50,000 troops and hundreds of ships of the enemy until the last drop of their blood drained; and the heroic feats of the warriors of the People's Army, who made all hills and valleys of the fatherland deadly and horrible to the enemy; these are all lofty reflections of their boundless loyalty to the party and the leader, as well as of their ardent love and devotion to their fatherland, hometowns, parents, and families. [applause]

Along with the People's Army, the people in the rear fought heroically for victory. All the people had come to realize the heart-rendering benevolence of a new fatherland and a new system through their five years of life after the liberation. Thereafter, during the war, they overcame all bottlenecks and difficulties for their aid to the front and wartime production, and displayed an ethos of unswerving patriotic devotion by forging blood-tied relations with the fighters in the rear under the slogan "Devoting everything for the victory of the war!"

No vicious attempts or frantic offensives by the imperialist aggressors could avoid repeated defeats before our people's indomitable fighting spirit and heroic mettle with which the entire party, the entire Army, and all

the people courageously fought and united as invincible militant ranks centered by the leader [suryong]. As a result, the three-year war brilliantly ended as our people's victory. [applause]

Such a surprising event, which greatly stirred the entire world, clearly demonstrated that even the people of a small country can easily achieve victory if they courageously fight against the aggressors with the spirit of independence and the self-awareness that they are the masters of their destiny, and unite around firmly around the party and the leader [suryong]. This was a historic event which is of great significance in pioneering the nation's destiny and realizing mankind's anti-imperialist cause for independence. [applause]

By achieving the great victory in the fatherland liberation war, our people and People's Army displayed the invincible might of our Republic and our socialist system, which upheld the respected and beloved Comrade Kim Il-song as the leader. They solemnly declared that no one could frustrate the Korean people's revolutionary cause which is advancing with great ideas and the strength of unity and that they will be endlessly victorious. [applause]

The victory achieved by the DPRK people in this arduous war greatly contributed to the peace and security in Asia and other part of the world, and changed the balance of forces between the anti-imperialist forces for independence and the imperialist reactionaries after the World War II. It also made a great contribution to expediting the cessation of an imperialist colonial system.

With small, regular-sized armed forces, our people were able to achieve victory in the arduous war with the imperialist allied forces in the early days of building the new fatherland because of the excellent and tested political and military leadership of the great leader Comrade Kim Il-song, iron-willed brilliant commander and ever-victorious military strategist. [applause]

With extraordinary military intelligence and matchless resourcefulness, the great leader Comrade Kim Il-song set forth creative tactics and strategies at every period and stage of the war, and carried out bold and superb operations. Thereby, the great leader used strategical and tactical superiority to fight the aggressors, who boasted numerical and technical superiority, thus paving the way for the victory of the war.

At the beginning of the war, our wise soldiers of the Army, Navy, and Air Force achieved brilliant accomplishments in frustrating the enemies' surprise attacks at the right moment and promptly defeating the enemies' core group with strong attacks. In addition, they brilliantly carried out the most accurate and superb



operations and battles in conformity with changes in the phase of the war, thus displaying world-renowned heroic feats. These were military miracles created by the respected and beloved leader who expounded the most superior and ever-changing *chuche*-oriented war methods that meet the geographical condition and situation of our country, and an ethos of unswerving devotion and revolutionary temperament of our people and People's Army. [applause]

The great leader [suryong] Comrade Kim Il-song, who always gave top priority to the issue of enhancing the role of the revolutionary political organizations in revolution and construction, put forth the work to strengthen the party in an organized and ideological way as an important task related to the war's victory or defeat, and by consolidating the party ranks' cohesion and unity in all directions, he firmly guaranteed the party's leadership [yongdo] in the whole course of the war. Along with this, he enhanced the function and role of the people's regime to consolidate the rear, and by always being with the people and soldiers, he took care of them with paternal affection. By doing so, the impregnable revolutionary spirit and heroic spirit of the Korean people were wholly manifested in the bloody fight with the enemies, thus, he led them to achieve victory after victory.

Truly, with great ideology and extraordinary leadership, he highly manifested the *chuche* Korea's dignity and spirit, and led the whole party, the whole Army, and all the people toward the sacred site to destroy the enemy. As such, due to the respected and beloved leader [suryong] Comrade Kim Il-song's wise leadership, our people and officers and men of the People's Army drove the U.S. imperialist aggressors, who bragged about the so-called invincible myth, to the pit of shameful defeat, and it was possible to manifest national honor of achieving historical victory in the fatherland liberation war. [applause]

Due to this immortal achievement by the great leader [suryong] Comrade Kim Il-song, our people were once again saved from the calamity of colonial slavery, and the leader's [suryong] name is kept in the minds of our people and the world's progressive man as an ever-victorious iron-willed commander who defeated the powerful enemy of two imperialists in one generation and as a symbol of anti-imperialist struggle. [applause]

The U.S. imperialists who brought countless misfortune and calamities to our nation, dauntlessly and forcibly occupied South Korea. While aiming for an opportunity for military aggression against us, they were running amok in the maneuver to provoke a new war even after

they experienced bitter defeat in the war which they kindled.

The aggressive attempt by the U.S. imperialists is to obliterate our Republic, which stands as a strong socialist eastern fortress, by waging another war on the Korean peninsula. Furthermore, their ambition is to dominate the world without fail.

After the war, the great leader [suryong] Comrade Kim Il-song put forth a self-defensive military line whose basic content is to turn the whole Army into an army of cadres, modernize the whole Army, arm the entire people, and fortify the whole country. It is a unique line on progressing economic construction and defense upbuilding in accordance with the prevailing situation and the revolution's demand. He also wisely led the work to strengthen the country's defense power through our own strength.

Due to the great leader [suryong] Comrade Kim Il-song's wise leadership and lofty achievement, our people and the People's Army smashed the aggressive maneuvers of the imperialists and reactionaries at every step; firmly defended the fatherland's safety; and with the invincible revolutionary Armed Forces and the all-people's defense system second to none in this world, it was possible for our country to victoriously carry out the enormous cause of building socialism of our own style centered on the popular masses in an especially arduous situation. [applause]

The immortal revolutionary achievements the great leader [suryong] Comrade Kim Il-song accomplished in the revolutionary construction and defense work have been resolutely succeeded under our party's leadership, thus achieving vigorous development. The respected and beloved Supreme Comrade Commander Kim Chong-il, who clearly had an insight of the changes in the developing situation from early on and who turned deep interest in strengthening and developing the People's Army, put forth a unique line on modeling the whole Army after the *chuche* idea in accordance with the new demand of the revolutionary development, and energetically led the struggle to implement it. Thus, he made it possible to bring about an epoch-making turning point in all fields of the *chuche*-oriented Army building and military activities. [applause]

The great leader [yongdoja] Comrade Kim Chong-il has firmly established the party's unitary ideological system, which is the unitary leadership system, in the People's Army in conformity with the demands of modeling the entire army after the *chuche* idea and, thus, has strengthened and developed our revolutionary armed forces into the ranks of loyalty which devote their lives for the struggle for the party, the leader



[suryong], the fatherland, and the people, and into a matchless, powerful army equipped with strong means of attack and defense, and capable of smashing any enemy. [applause]

Along with this, by brilliantly completing the work of turning the whole country into a fortress, he has also more firmly established an all-people's and all-state defense system throughout the country and built a strong self-defense industry. Thus, he has made it possible for our country to make all military, technological, and material preparations to sternly cope with the enemies' new war provocation maneuvers.

Thanks to the correct leadership of the great leader [suryong] and the great party, our People's Army today has not only been outstandingly prepared politically, ideologically, spiritually, and morally in conformity with its lofty mission as a chuche-oriented revolutionary armed forces, but has also been strengthened and developed into an invincible combat force militarily, technologically, strategically, and tactically, so that the whole country has been turned into a fortress. Thus, our country has been turned into a mighty self-defending country that can sternly smash any aggression by enemies. [applause]

Despite the unprecedented, unscrupulous war provocation maneuvers by the imperialists and reactionaries and their maneuvers to obliterate the Republic in recent years, our people's socialist cause of chuche has been ever victorious, without the slightest degree of shaking. This majestic reality constitutes mighty proof of the powerful strength of our country which has been strengthened and developed into a country of political might, singleheartedly united under the leadership of the party and the leader [suryong], and a country of military might which is an impregnable fortress. [applause]

Indeed, our people have no fear of any upheaval in the world or any powerful enemy, and the promising future of the revolutionary cause of chuche, the socialist cause, pioneered in Paektu, has been firmly guaranteed by the one-is-a-match-for-100 revolutionary armed forces that the respected and beloved leader Comrade Kim Il-song fostered through his life-long effort and by the extraordinary wisdom, matchless courage, and talented strategy of the great leader [yongdoja] Comrade Kim Chong-il who is extensively glorifying the leader's [suryongnim] outstanding military ideology with his achievements in army building. [applause]

Cherishing the spirit of reverence in their hearts, all the people and officers and men of the People's Army once again extend at this significant meeting marking the 42d anniversary of the victory of the war, the utmost glory to the great leader Comrade Kim Il-song,

the founder and leader of our party, our country, and the revolutionary armed forces, the progenitor [sijo] of socialist Korea who gained the country's independence and defended the nation's sovereignty by leading the two anti-imperialist revolutionary wars and the cause of chuche-oriented army building to victory, and the one who built a powerful socialist country of independence, self-reliance, and self-defense on this land, to thus provide an everlasting foundation for the victorious advance of our revolution. [applause]

Comrades: Today, we are faced with a heavy, but honorable task of further glorifying the victories won in the course of accomplishing the anti-imperialist cause for independence, which is the socialist cause, and of consummating the chuche revolutionary cause to the end.

The great leader [yongdoja] Comrade Kim Chong-il has indicated: On the strength of the might of the singlehearted unity of the leader [suryong], the party, and the masses, we must smash the antisocialist maneuvers by the imperialists and reactionaries and, thus, achieve the independent and peaceful reunification of the country and the final victory of the socialist, communist cause without fail.

As elucidated by our party, today our people's struggle to complete the country's reunification and the cause of independence is accompanied by a serious confrontation with the imperialists and reactionaries who are viciously maneuvering to block the advance of our revolution just as they did in the past.

Instead of learning the proper lessons from their shameful defeat in the war, the imperialists and reactionaries employ all sorts of maneuvers to isolate and crush [apsal] our Republic as it advances, upholding the banner of socialism. Even after the DPRK-U.S. agreed framework was signed, U.S. bellicose quarters reinforced the deployment of their aggressive armed forces in South Korea and have continuously conducted joint war exercises with the South Korean puppets under various titles, replacing the Team Spirit nuclear war exercise for a northward invasion, thus posing a nuclear threat against us. Recently, they also conducted a large, computer-simulated Korean war exercise.

With the strange play of the so-called unveiling ceremony of a Korean War monument in Washington, the United States now maneuvers to conceal its nature as the instigator of the Korean War and drum up the atmosphere in the United States against the Republic.

Facts show there have been no changes in the U.S. hostile policy toward the DPRK, which is aimed at threatening peace in our country, disturbing our cause



of reunification, and ruining the socialist system of the Republic by force. This policy is a remnant of the Cold War era and cannot work with our dignified people who value independence as they do their lives. If the U.S. warmongers indiscreetly continue to engage in war-exercise commotions and pose a nuclear threat against us, our people and People's Army soldiers will rise up in furious indignation like a mountain to counter them with a stern attitude. [applause]

The United States should not incorrectly evaluate the invariable will of our party, people, and People's Army; it should abandon the old policy of dealing with the Korean issue from a position of strength. It should try to build trust between the DPRK and the United States and put an end to the hostile relations between the two by sincerely implementing the DPRK-U.S. agreed framework.

Today, the armistice system on the Korean peninsula has virtually been destroyed due to illegal and irresponsible U.S. acts; a situation still prevails in which a war may erupt at any moment. Under this situation, establishing a new peace guaranteeing system to prevent an arms buildup and a recurrence of war, and to guarantee durable peace and security, has emerged as an urgent task that cannot be delayed any further.

If the United States truly does not wish to repeat the war disaster that took place more than 40 years ago, it should abandon the evil intention to eternally maintain the Cold War system on the Korean peninsula and realize the aggression on the entire Korea using the system, and accept without delay our just proposal to establish a new peace guaranteeing system in place of the old armistice system.

It is our party and people's firm position and invariable will that they consummate the socialist cause by advancing along the single road of *chuche* without making any concessions to their national sovereignty, revolutionary interests, and socialist gains, thus upholding the anti-imperialist banner in all situational changes. [applause]

All party members and working people should firmly be successful for generation after generation in the anti-imperialist, independent, and revolutionary tradition created and hardened in the flames of two revolutionary wars against Japanese and U.S. imperialism, and should resolutely protect, defend, and add luster to the popular masses-oriented socialism of our own style.

A key to achieving victory in the struggle to crush the antisocialist maneuvers of the imperialists and reactionaries, and to strongly defend and complete the socialist cause, is for the entire party, all the people, and the entire Army to further consolidate single-hearted

unity. Single-hearted unity is the foundation of our revolution and the banner of invincibility.

Because there was single-hearted unity between the party and the revolutionary ranks based on one idea and one center, our people and People's Army were able to win in the fatherland liberation war and victoriously advance in the struggle to carry out the socialist cause after crushing the enemy's endless challenges and suppression maneuvers over the past 40-odd years.

Just like the anti-Japanese revolutionary fighters and heroic fighters of the fatherland liberation war who scored victories by upholding the great leader as the center of unity and the center of leadership, all people, officers, and men of the People's Army must unite, unite, and unite around the great leader Comrade Kim Chong-il and further consolidate our single-hearted unity in which the leader [*suryong*], party, and masses are in perfect harmony. [applause]

If we are to defend and maintain the *chuche*-oriented socialist cause and complete it to the end, we must endlessly and strongly consolidate our ideological fortress as elucidated in our party's *chuche*-oriented ideological theory.

All party members and workers, as well as officers and men of the People's Army, must sincerely study our party's *chuche*-oriented socialist theory; strongly arm themselves with a revolutionary view on the leader [*suryong*] and a *chuche*-oriented view on the revolution; thoroughly embody a belief in socialism; and thus, share the same destiny with our party and with our own style of socialism under all difficult circumstances as well as more positively make ideological and spiritual preparations as loyalists who will uphold the *chuche*-oriented socialist cause to the end.

Achieving great upsurges in socialist economic construction is an important task for us today. As they solemnly pledged again on the first anniversary of the great leader's death, all party members and workers must cherish deep in their hearts the programmatic instructions the leader [*suryongnim*] gave to each sector and unit; must highly display the revolutionary spirit of self-reliance and arduous struggle; must achieve new upsurges in production and construction; and must thoroughly implement the party's revolutionary economic strategy.

On the 50th anniversary of the fatherland's liberation and the 50th anniversary of the party's founding, all sectors of the people's economy must more vigorously accelerate the general socialist march; bring about innovative achievements; and thus, glorify the revolutionary achievements of the great leader who recovered a lost



country for our people, who built a great party and state, and who gave them boundless honor and happiness. [applause]

Thoroughly implementing the party's self-defensive military line, strengthening the People's Army, and impregably strengthening the country's defense capability are firm military guarantees to defend and maintain chuche-oriented socialism and further consolidate and develop it.

We must vigorously conduct political and ideological indoctrination in the People's Army to ensure all soldiers possess absolute loyalty toward the party and leader [suryong]; become fortresses that strongly defend the party with guns under any difficult circumstances; and become rifles and bombs that resolutely defend the dear comrade leader. [applause]

In hearty response to the respected and beloved comrade supreme commander's ideas on army building, all officers and men of the People's Army must further strengthen and develop our People's Army into a powerful one-is-a-match-for-100 army, a loyal militant rank, and a main force for completing the chuche revolutionary cause. They must also strongly consolidate the People's Army's combat readiness and combat capability by all means; must always heighten revolutionary vigilance against the enemy's military provocation maneuvers; and thus, must dole out resolute punishment if any aggressor invades even 0.001mm of our territorial land, our territorial airspace, or our territorial waters and must impregably defend our party's might and the socialist fatherland. [applause]

Along with this, we should establish the ethos of attaching great importance to military affairs, should more firmly strengthen an all-people's and all-state's defense system throughout society, and should bring into fuller bloom the noble, laudable custom of unity between the army and the people in which the army and the people become one mind, love and help each other, and uphold the party's cause together.

Reunifying the divided country is a patriotic cause which is related to our nation's destiny. It is also the nation's supreme task which should not be delayed even for a moment.

We should end the country's division and unfailingly achieve the independent and peaceful reunification of the country in the 90's through the entire nation's united strength under the banner of the three principles of independence, peaceful reunification, and great national unity and the 10-point program for great unity of the whole nation — which are the nation's common programs for reunification presented by the great leader

Comrade Kim Il-song, the eternal sun and father of the nation. [applause]

At present, we should smash the splittists' maneuvers at home and abroad and celebrate the 50th anniversary of national liberation as the nation's common festival for reunification. Thus, we should glorify this year as a historic year which will open a turning point for national reconciliation, unity, and reunification.

At this moment when the 70 million fellow countrymen are waging a nationwide struggle to open the door of national reunification without fail while seriously reflecting upon the 50 year-long history of division, the South Korean rulers are again waging war exercises against fellow countrymen in collusion with outside forces on the threshold of national liberation day on 15 August. Thus, they are running counter to the great march for reunification of the compatriots in the North and the South and overseas. This is a most shameful challenge to the nation's conscience, aspiration, and will. It is also an intolerable crime.

The South Korean authorities should look straight at the ardent desire for and will toward reunification of all the fellow countrymen who have risen up in the struggle for reunification and should immediately renounce their foolish maneuvers to block the nation's great joint reunification festival.

The people of all strata in South Korea should sternly smash the Kim Yong-sam ring's repressive maneuvers and realize the nation's great 15 August festival for reunification without fail. Thus, they should actively contribute to opening the door of reunification.

Independence, peace, and friendship are the consistent ideal of the external policy of our party and the government of the Republic.

As in the past, in the future too our party and people will constantly strengthen friendship and solidarity with the people of different countries in the world who defend independence under the banner of independence, peace, and friendship.

During the fatherland liberation war, our people received active support and encouragement from the people of different fraternal countries in the world, including the Chinese people, as well as from the progressive people of the world.

We will always be faithful to the international duty and comradely obligation in the accomplishment of the independence cause of mankind to which we have been assigned. We will also make all possible efforts to build a free, peaceful, and friendly new world devoid of domination and enslavement.



The great leader [suryongnim] who saved our people from the nation's life-or-death crisis situation by leading the two revolutionary wars to victory in one generation and by unfolding a new era of great grandeur and prosperity on this land is with us today, and will be with us forever in the future, too. [applause]

Our people's revolutionary cause — which was pioneered by the great leader Comrade Kim Il-song and which is guided by our party — will break through any trials and difficulties and, thus, will always be ever-victorious. [applause]

Let all of us uphold the party Central Committee's slogans published on the occasion of the 50th anniversary of the founding of the WPK and firmly unite around the great leader [yongdoja] Comrade Kim Chong-il. Thus, let us vigorously struggle for the enrichment and development of our country and fatherland, for the victory of the socialist cause, for the independent reunification of the country, and for independence of the world. [applause]

Long live the revolutionary ideology of Comrade Kim Il-song, the great leader of our party and people. [applause and shouts]

Long live the glorious WPK, the organizer and guide of all victories of the Korean people. [applause and shouts]

#### Others Attend Meeting

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[FBIS Translated Excerpt] A central report meeting was held yesterday at the 8 February House of Culture on the 42d anniversary of the victory in the great fatherland liberation war.

The portrait of the great leader Comrade Kim Il-song on the background of the flag of the Republic was placed on the front side of the meeting hall. The slogans "Long live the great leader [suryong] Comrade Kim Il-song!" and "Long live the honorable Workers Party of Korea [WPK]!" were also placed. [passage omitted]

Present at the rostrum were Comrade Kang Song-san, member of the WPK Central Committee Political Bureau and premier of the Administration Council; Comrade Yi Chong-ok, member of the WPK Central Committee Political Bureau and vice president; Comrade Kim Yong-nam, member of the WPK Central Committee Political Bureau and vice premier of the Administration Council; Comrade Choe Kwang, member of the WPK Central Committee Political Bureau and chief of the Korean People's Army [KPA] General Staff; Comrades Kye Ung-tae and Chon Pyong-ho, members of the WPK Central Committee Political Bureau and

secretaries of the WPK Central Committee; Comrade So Yun-sok, member of the WPK Central Committee Political Bureau, chief secretary of the South Pyongan Province WPK Committee, and chairman of the South Pyongan Province People's Committee; Comrade Kim Chol-man, candidate member of the WPK Central Committee Political Bureau; Comrade Choe Tae-pok, candidate member of the WPK Central Committee Political Bureau and secretary of the WPK Central Committee; Comrade Choe Yong-nim, candidate member of the WPK Central Committee Political Bureau and vice premier of the Administration Council; Comrade Yang Hyong-sop, candidate member of the WPK Central Committee Political Bureau and chairman of the Supreme People's Assembly; Comrade Hong Sok-hyong, candidate member of the WPK Central Committee Political Bureau and chairman of the State Planning Commission; Comrade Yon Hyong-muk, candidate member of the WPK Central Committee Political Bureau, chief secretary of the Chagang Province WPK Committee, and chairman of the Chagang Province People's Committee; Comrades Yi Ul-sol, Paek Hak-nim, Kim Kwang-chin, and Kim Ik-hyon, vice marshals of the KPA; Comrades Kim Ki-nam and Kim Yong-sun, secretaries of the WPK Central Committee; Comrade Chang Chol, vice premier of the Administration Council; Comrade Yun Ki-pok, chairman of the Economic Policy Committee of the Central People's Committee; and Comrade Pak Nam-ki, chairman of Pyongyang Municipal Administrative and Economic Committee; responsible officials of the party, state, military, and public security organs and public organizations; anti-Japanese revolutionary fighters; heroes; exemplary fighters; disabled soldiers; labor innovators; and bearers of the three revolutions flag.

The meeting began with the playing of the national anthem. Comrade Kim Kwang-chin, member of the WPK Central Military Commission and KPA vice marshal, delivered a congratulatory report to the meeting. [passage omitted].

#### People Commemorate 'Second Liberation Day'

OW2607170195 *Pyongyang KCNA in English* 1501 GMT 26 Jul 95

[FBIS Transcribed Text] Pyongyang, July 26 (KCNA) — The Democratic People's Republic of Korea commemorates July 27 as the Second Liberation day.

On this occasion, the Korean people look back on the undying feats performed by the Great Leader President Kim Il-song in leading the three year-long Fatherland Liberation War (1950-1953) to victory and bringing about the Second Liberation day.



The Fatherland Liberation war was a just one to defend national independence and the great gains of the democratic revolution, the most rigorous ever known in history of the nation.

The United States tried to nip our republic in the bud.

The American aggressors hurled into the Korean war their armed forces with the latest type of equipment, troops of 15 satellite countries, the puppet army of south Korea and the Japanese militarist aggression forces, more than two million all told. They also employed the most brutal means and methods of war.

The day when the war broke out, respected President Kim Il-song said that the enemies were foolish, that they mistook the Korean people for a weak nation and that they would know what the Koreans were like. He powerfully encouraged the entire Korean people and People's Army to win the war.

He put forward *juche*-based, original strategies and tactics in each period and at each stage of the war; he mapped out plans of operations for the victory in the war till late at night in the supreme command; he went to the forefront under the volley of bullets with a view to teaching People's Army soldiers how to defeat the enemies, giving them confidence in victory and taking warm care of their life with paternal love.

During the war he led many operations and battles, including operations to liberate Seoul and Taejon, three striking actions for the final victory of the war, battles on height 1,211 and hill 351, to victory with outstanding and tested commanding art and stratagem.

The Korean People and People's Army under the wise guidance of respected President Kim Il-song, an ever-victorious, iron-willed, brilliant commander and an outstanding military strategist, defeated the imperialist allied forces and won a shining victory in the war.

Those imperishable revolutionary exploits of president Kim Il-song will be conveyed down through generations.

#### **Officers, Soldiers Celebrate**

SK2707052095 *Pyongyang KCNA in English*  
0431 GMT 27 Jul 95

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — Soldiers of the Korean People's Army [KPA] held colorful events on July 26 on the occasion of the 42nd anniversary of the victory of the Korean people in the great fatherland liberation war.

Officers and men of the three services of the KPA met at the monument to the victory in the fatherland

liberation war to vow their loyalty to respected supreme commander Comrade Kim Chong-il.

In his speech at the meeting, Vice Marshal of the Korean People's Army Kim Kwang-chin said that through the historic victory in the past fatherland liberation war, the Korean people and People's Army demonstrated the truth that if they are deeply aware of the validity of their cause under the leadership of the great leader, they can easily defeat any formidable enemy and clearly showed that no force on earth can conquer the heroic people singleheartedly united around the party and the leader.

He urged that all the KPA officers and men should more closely unite around the supreme commander and firmly prepare themselves to be rifles and bombs to resolutely defend him in any adversity.

They should actively participate in the combat and political training to prepare themselves to be a-match-for-a-hundred combatants and firmly defend the dignity and honor of the Kim Il-song nation and Kim Il-song Korea from any aggressive moves of the imperialists, the speaker stressed.

War veterans of the three services in their speeches asked the soldiers of the new generation to remain loyal to respected Comrade Kim Chong-il with a firm confidence in socialism as the first and second generations of the revolution fought in the indomitable fighting spirit.

In their speeches, soldiers of the three services expressed their firm resolution to become rifles and bombs in resolutely defending the respected supreme commander.

All those present evinced in chorus the loyalty of the officers and men of the three services of the KPA to him.

The officers and men of the three services solemnly vowed to increase the combat preparedness and capacity of the people's army under the leadership of the great general Kim Chong-il, the greatest general in the world, and completely annihilate the imperialist aggressors if they violate the territory of their country and motherland even 0.001 mm.

Those present shouted the slogan "Let us devote our lives to respected supreme commander General Kim Chong-il!" and others.

An evening of the Ministry of the People's Armed Forces was held at the Chonsung Square in celebration of the 42nd anniversary of the victory in the war.

Meetings celebrating the 42nd anniversary of the victory in the war were held at the units of the three services of the Korean People's Army.



The meetings stressed the need to strengthen the single-hearted unity of the whole army around the respected supreme commander and more firmly establish his commanding system in the army.

### South Korea

#### Press Interviews Clinton on Bilateral Concerns

SK2707015195 Seoul YONHAP in English  
0132 GMT 27 Jul 95

[FBIS Transcribed Text] Washington, July 26 (YONHAP) — U.S. President Bill Clinton reiterated his objection to North Korean attempts to replace the Korean military armistice system with a unilateral peace treaty negotiated with the United States.

In a joint written interview with the South Korean press corps, the U.S. President said, "We will continue to oppose North Korean efforts to negotiate a peace treaty directly with us."

Noting that the United States also has a strong interest in peace and stability in Korea and actively supports North and South Korea's search for peace, Clinton said, "If the two parties come up with a mutually acceptable role for the United States and other countries to play in a peace process, we are prepared to be helpful."

Asked about a possible U.S. role in bringing about peace and the reunification of the Korean peninsula, the U.S. President applauded South Korea's initiative to provide rice aid to the North and hoped "the Beijing talks on rice aid will be the first step towards broader North-South dialogue."

"The best way to proceed is for Koreans, North and South, to take the lead in establishing peace and moving towards the reunification of Korea," he added.

Referring to an improved relationship beyond the exchange of liaison offices between the United States and North Korea, Clinton said, "As progress is made on issues of concern to each side, the U.S. and the Democratic People's Republic of Korea (DPRK) will work towards upgrading bilateral relations to the ambassadorial level."

Issues of concern to the United States include North-South dialogue, missile proliferation, human rights, North Korean support for terrorism, the repatriation of American MIA [missing in action] remains from the Korean war and the decrease of military tension on the Korean peninsula, he added.

There is nothing automatic about this process, Clinton said, and North Korean behavior on issues of concern to the United States will be the major factor determining the progress of bilateral relations.

Asked if he is willing to arrange an inter-Korean summit if Kim Chong-il assumes the state presidency, Clinton replied, "The responsibility for establishing peace on the peninsula lies first and foremost with Koreans, North and South." He cited the 1992 inter-Korean basic agreement, saying that both Koreas shall endeavor together to create a "firm state of peace between the South and the North."

Referring to South Korea-U.S. trade relations, Clinton, citing that Korea is the 15th largest exporter in the world, the United States' sixth largest export market and the fourth largest agricultural products market, remarked, "given that volume of trade, it is natural that there would be some disagreements over how trade is conducted. Trade or commercial disagreements are part of a mature trade relationship, not threats to overall ties."

On the role of U.S. Forces in South Korea, the U.S. leader said, "U.S. Forces are stationed in the Republic of Korea to help protect vital interest of both our countries: The security of the South against aggression, and the stability of the region," adding that U.S. Forces will remain in Korea as long as the people of Korea want them to be there.

Asked if the United States has any plan to further relax its economic embargo against North Korea, Clinton said, "We have no specific plans to take further steps to relax economic sanctions against North Korea at this time." In addition to North Korea's cooperation on the nuclear issue, more progress is needed on such other issues as North Korean ballistic missile development and sales, threatening deployments of North Korean conventional forces along the demilitarized zone and North-South dialogue, he added.

As to the agenda of his summit with President Kim Yong-sam, Clinton said, "I will express American support for the Republic of Korea's efforts to bring peace and security to the Korean peninsula through North-South dialogues, and we will talk about the next steps in the implementation of the agreed framework."

#### Kim Yong-sam Continues Visit to United States

##### Addresses U.S. Congress

SK2607223995 Seoul YONHAP in English  
2127 GMT 26 Jul 95

[FBIS Transcribed Text] Washington, July 26 (YONHAP) — South Korean President Kim Yong-sam has called for closer cooperation between Korea and the United States in preparations for the Asia-Pacific era of the 21st century to help contribute to the development of human history.



In his address on bilateral cooperation towards the Asia-Pacific era to a joint session of the U.S. Congress Wednesday [26 July] morning, Kim noted the curtain has already been raised on the Asia-Pacific era.

Attributing the emergence of the Asia-Pacific region as a new global axis for long-term U.S. efforts to maintain peace and stability in the region, he stressed the United States "must continue to play this role" for the Asia-Pacific era to fully blossom.

Noting that guaranteeing peace on the Korean peninsula has become the key to the stability of the entire region, the South Korean leader said the U.S. military presence in Korea is "indispensable and essential" not only to keep peace on the peninsula but also for the stability of the region.

The two countries, which felt so far apart, separated by the Pacific ocean only 50 years ago, "have now forged a mature partnership where we help each other reciprocally as we together strive towards continuing freedom and prosperity."

Kim pointed to the fact that the United States has become Korea's biggest trading partner, while Korea has grown to become America's sixth largest market. Bilateral trade exceeded 40 billion U.S. dollars last year and will soon hit the 50-billion-dollar level, with the trade balance between the two countries rapidly leaning in America's favor.

Stressing the importance of free trade to the prosperity of the Asia-Pacific region, Kim said all regional countries should benefit from free trade, as Korea has done over the years.

"It is precisely for this reason that, together with President Clinton, I have been focusing my efforts particularly on the development of the APEC [Asia-Pacific Economic Cooperation] forum."

He said Korea, continuing to pursue the ideals of free trade in the future, would become an even stronger partner of the United States in promoting the prosperity of the Asia-Pacific region.

Korea "will expand its role and responsibilities in the international community. We plan to expand our assistance to developing countries by drawing upon our past development experiences and also by actively participating in international efforts to solve global problems."

Concerning inter-Korean relations, Kim stressed the importance of North-South Korean dialogues in achieving peace on the Korean peninsula. In this regard, he thanked Congress for having passed a resolution stating that an inter-Korean dialogue is essential to implement-

ing the U.S.-North Korea nuclear agreement reached last October in Geneva.

He also pointed to the need for stability in North Korea if peace is to be maintained on the peninsula saying, "We are pursuing a joint national development plan aimed at promoting the mutual prosperity of the South and the North."

Kim expounded that the two Koreas should be unified into "one nation and one state" though they should institute a gradual restoration of national community by promoting peaceful co-existence, reconciliation and cooperation.

He said, "We are filled with determination to build a unified Korea and work with the American people as partners in peace and prosperity and thereby make a greater contribution to the world and to humanity."

Unlike many things which have their limitations, the yearning of humanity for peace and prosperity is boundless, "like our friendship," Kim stressed.

#### Attends Business Luncheon

SK2707060995 Seoul YONHAP in English

0447 GMT 27 Jul 95

[FBIS Transcribed Text] Washington, July 26 (YONHAP) — President Kim Yong-sam said Wednesday [26 July] that his government would seek to restructure the South Korean economy in order to make it as advanced as the world's top economies in the near future.

At a luncheon meeting with 38 South Korean business leaders at the U.S. capital's Hilton Hotel, Kim remarked, "This is a time for us to discuss the present status of our economy as a whole and to seek a desirable course of development which it should take in the future."

Senior Presidential Secretary Han I-hon, who is a member of Kim's official entourage, said the government is working on a long-term plan to develop technology and knowledge-intensive industries to sustain economic growth in a year which saw Korea reach the 10,000-dollar-level in per capita national income.

President Kim's luncheon remarks are related to this plan and should not be mistaken for an industrial restructuring plan, he stressed.

Concerned about the nation's increasing trade deficit, President Kim called for the business community's efforts to achieve a balance in trade, saying balanced trade is one of the most important keys to sustaining economic growth.



**Speaks at Georgetown University**

SK2707001395 Seoul YONHAP in English  
2328 GMT 26 Jul 95

[FBIS Transcribed Text] Washington, July 26 (YONHAP) — South Korean President Kim Yong-sam, accepting an honorary doctorate from Georgetown University Wednesday [26 July] afternoon, said the establishment of liberty and democracy has been the only way out of poverty and the key to overcoming the threat of communism.

Calling liberty and civil rights inalienable values which have precedence over any others, he defined democracy and the market economy as two branches of a single tree called freedom.

Kim said he and his fellow Koreans, sharing this belief in freedom, had struggled for their country's democratization and finally succeeded in bringing about "a civilian democracy."

In the course of our long struggle for democracy, we came to realize that prosperity without liberty is an illusion: It is no more than slavery," he stressed. [quotations as received]

Noting "the triumph" of democracy and the market economy and "the disastrous failure" of the communist authoritarian regimes which have tumbled one after another over the years, Kim said, "The North Korean regime...will no longer be able to withstand this global historic trend."

In this information era where the globe is becoming a single community, he observed, the world is witnessing not so much a clash of cultures but a harmonization of cultures as the east and the west truly draw closer together.

Kim then called on higher educational institutions to lead the effort to create a more dynamic civilization, pointing out the importance of increased exchanges and cooperation among the universities of the world.

He noted that Korean graduates of Georgetown and other American universities are playing a leading role in Korean society and expressed his hope that Georgetown students will develop closer ties with Korea and Asia.

In his speech at a reception he hosted for leading American citizens at the Corcoran Gallery of Art in the evening, Kim said the Korean people are endeavoring to make three hopes come true — prosperity, peace and national reunification.

The Korean people have come to harbor these hopes on the strength of their achievements over the last 30-odd years — per capita income now reaches 10,000 dollars

and exports have already topped 100 billion U.S. dollars in 1995 and they have witnessed the birth of a truly democratic government for the first time in more than three decades, he remarked.

Kim thanked the American people for their assistance in all these achievements — military assistance during the Korean War, unsparing economic aid in the reconstruction and rehabilitation efforts amid the ashes of the war and unstinting encouragement in the struggle for democracy.

**Kong, Christopher Reaffirm Seoul's LWR Role**

SK2707022895 Seoul YONHAP in English  
0221 GMT 27 Jul 95

[FBIS Transcribed Text] Washington, July 26 (YONHAP) — Foreign Minister Kong No-myong and U.S. Secretary of State Warren Christopher Wednesday [26 July] reaffirmed that South Korea will play a central role through the Korean Peninsula Energy Development Organization (KEDO) in the North Korean light-water reactor [LWR] project.

Kong and Christopher shared the view that multilateral security talks are needed in Northeast Asia and the Asia-Pacific region so those talks can progress in parallel with Korea-U.S. bilateral security relations.

To that end, the two agreed to intensify cooperation in the Asia Regional Forum (ARF), a regional political and security forum in the Asia-Pacific region.

Kong and Christopher also shared the view that the inconveniences South Koreans are suffering as a result of the delay in visa issuances by the American Embassy in Seoul should be redressed and that the United States will do its utmost to improve the situation.

Senior Presidential Secretary for Economic Affairs Han I-hon meanwhile met with Laura Tyson, chairman of the National Economic Council (NEC), at the White House to exchange views on a variety of bilateral economic and trade affairs.

Han said the two countries would hardly be able to avoid trade disputes as their bilateral trade has reached 50 billion dollars, but added that the two sides can solve those disputes.

Tyson responded that the United States supports South Korea's bid to join the Organization for Economic Cooperation and Development (OECD), adding that cooperation in trade between the two countries will be essential for their economic development.



**Ulchi Focus Lens Military Exercise Scheduled**

SK2707072595 Seoul YONHAP in English  
0713 GMT 27 Jul 95

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — The Korean Government and the Korea-U.S. Combined Forces Command (CFC) will hold their annual command post exercise, Ulchi Focus Lens (UFL), from Aug. 21 to Sept. 1, official announcements said Thursday.

The military drill will "exercise, evaluate and improve combined and joint coordination, procedures, plans and systems necessary for the contingency operations" of the South Korean Government and CFC, the CFC explained.

The exercise will be participated, as was the case last year, by all administrative units in the city-, county- and ward-level or higher level, all Army corps, Naval fleet command and Air Force wings or higher military units on the part of Korea and the U.S. Forces Korea (USFK) and Eighth U.S. Army units, Korean Defense Ministry officials said.

There will be no actual mobilization of troops and equipment in the drill, which the officials said will instead consist of a computer-simulated wargame, they said.

Jim Coles, a USFK public affairs official, explained that UFL is "designed to help the senior leadership (brigade-level and above) continue to perfect their skills that test command control" by examining their ability to move people and equipment most efficiently.

Between 1979 to 1989 the South Korean Government combined two drills, Ulchi, a government-level exercise and Focus Lens, a military exercise. The annual exercise was called off in 1990 and from 1991 to 1993 UFL was divided again into two separate drills so as not to incite the North Korean Government and damage the atmosphere for an inter-Korean dialogue.

But the divided drills proved ineffective so they were recombined last year.

UFL '95 is the 20th in a series of regularly scheduled, joint training drills that the North Korean Government has insistently called "military provocations." The joint annual "Team Spirit" drill was not scheduled to be held in 1994 and was canceled in 1992 and 1995, in a move to facilitate a North-South dialogue.

But Adm. Richard Macke, U.S. Pacific commander-in-chief, told the house international relations committee last month that although Team Spirit had been canceled every training event that is undergone in that drill is held in another annual exercise.

"We have moved the training into other venues, so everything is still done," the admiral said. "Our readiness is still there."

**North 'Abduction Team' Kidnapped Reverend An**

SK2707060195 Seoul YONHAP in English  
0513 GMT 27 Jul 95

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — A North Korean abduction team and pro-Pyongyang Korean residents in Yanbian, China, are involved in the alleged abduction of South Korean clergyman An Sung-un, a government official said Thursday [27 July].

The abduction team of three North Koreans cooperated with three pro-Pyongyang Koreans residing in China in the alleged abduction case.

The Chinese authorities arrested one North Korean "trader," allegedly a member of the abduction team who was identified only by his family name and approximate age, a certain Mr. Yi in his forties, and that he was in possession of a North Korean passport issued for "public affairs," according to the official.

The government official said, "The Chinese authorities are focusing their investigation on how he was issued the passport for 'public affairs'."

He added that the abduction team made elaborate preparations and used a jeep and a taxi to kidnap the clergyman.

"They took An through Tumen, China, to Namyang (North Korea) and then to Saebyol County in North Hamkyong Province, North Korea," he said.

**PRC To Keep Seoul Notified**

SK2707013095 Seoul YONHAP in English  
0046 GMT 27 Jul 95

[FBIS Transcribed Text] Beijing, July 27 (YONHAP) — The Chinese Government promised to immediately notify the South Korean Embassy here about the results of its investigation into the alleged North Korean abduction of South Korean clergyman An Sung-un, an embassy official said Wednesday.

He said, "the Chinese Foreign Ministry said it is taking the case seriously and promised our embassy that it will notify us about the results of the investigation as soon as any information is obtained."

Chinese Foreign Ministry officials made the promise when Cho Sang-bun, minister at the South Korean Embassy here, visited the ministry to request an intense and thorough investigation into the case.



North Korea claimed Tuesday that South Korean clergyman An Sung-un, a missionary based in Yanbian, China, defected to the North. However, South Korea suspects that An might have been abducted by North Korean agents in China.

In talks with Chinese officials, the embassy official said, Cho expressed deep concern and worry over the case since it happened in Chinese territory and urged China to take more active measures in order to solve the case as soon as possible.

#### Effect on Inter-Korean Ties

SK2707115795 Seoul KYONGHYANG SINMUN  
in Korean 27 Jul 95 p 4

[Article by Kang Song-po]

[FBIS Translated Text] The incident involving Reverend An Sung-un's disappearance in Yanbian, China on 9 July and his alleged entry into North Korea raises many questions. Most of all, it is not clear whether he was abducted or whether he defected, as North Korea alleges.

North Korea's Pyongyang radio reported that the Rev. An "came over to the northern half of the Republic for a rightful cause." It insisted that the Rev. An "came to the North upon realizing that it would be a crime against the country and the nation to lure North Korean people for the Agency for National Security Planning."

The ROK Government on the other hand has decided to reserve making a decision until "the results of Chinese authorities' investigation" clears this matter. However, the government considers it certain that An was abducted by North Korean agents.

Judging from the circumstances of the Rev. An's disappearance and eyewitness testimony that he was forcibly taken to a car by three unidentified men, he could not have voluntarily entered North Korea. In addition, his acquaintances testified that chances are very slim that An, who has a family in South Korea, would have "defected" to North Korea due to women or money problems.

Suspicion is aroused as to why North Korea would cause trouble when it has nothing to gain and during North-South dialogue for rice aid.

Some sources well versed in North Korean affairs think this incident occurred due to the different views of moderates and hard-liners within North Korea over the acceptance of ROK's rice. They assert that the hawkish faction deliberately caused this incident to check the dove-like faction.

Whatever the case may be, it is certain that the current incident will adversely affect North-South relations, which had just begun to thaw following the rice talks, unless North Korea returns the Rev. An. Chances are high that it will have a damaging effect on the third round of North-South talks to discuss additional rice aid to North Korea, slated for 10 August. This is because the ROK Government will not be able to ignore public opinion that the rice should not be supplied to North Korea, which not only failed to return an abducted ROK fishing ship, but also kidnapped a person from a third country.

#### Government's View

SK2707130295 Seoul HANGYORE SINMUN  
in Korean 27 Jul 95 p 4

[Article by Pak Chung-on]

[FBIS Translated Text] There is great concern that South-North relations, which seemed to have improved somewhat due to the rice aid to North Korea, may once again cool due to abduction of the reverend of the Full Gospel Church. If it is confirmed that this incident was carried out by North Korea, there is a possibility that ships loaded with rice for North Korea, as well as the rice talks slated for 10 August, will be suspended.

Therefore, currently, the government is concerned about the ripples this incident may bring about and is waiting for the result of the investigation by Chinese authorities. The government's feeling is that this incident will not greatly influence South-North relations as there is no clear evidence that the reverend was kidnapped.

In an official explanation of the details of the incident, it is clear that the government does not want this incident to be acutely highlighted. During the 25 July briefing, the Foreign Ministry said that it seemed that it was not a defection under one's own will, and also used a vague expression by saying: "It was an inducement against the reverend's will." The statement avoided to elucidate the character of the incident clearly.

It is difficult for the government to actually interfere in this incident. If the government regards this incident as a kidnapping case and demands the reverend's return, it will be inevitable that diplomatic friction will occur among South and North Korea and China. If it turns out to be a kidnapping, China will not ignore this matter because it is clearly an infringement of its sovereignty. It was learned that China notified the government that it is impossible for North Korea to carry out acts that infringe upon sovereignty in China.

The major view within the government is that since the rice aid is continuing and reflecting Chinese-North



Korean relations, North Korea will not recklessly carry out acts that will obstruct South-North relations. North Korea's report that the reverend defected to the North and gave up his family and everything else in fear of his life, while carrying out orders for the Agency for National Security Planning [NSP], greatly lacks persuasive power. However, since North Korea warned on many occasions that the NSP is carrying out divisionist maneuvers against Koreans in China, it is difficult to eliminate the possibility that this may be an act by the hard-line faction in North Korea.

Ultimately, China holds the key to this incident. As China has not announced the results of its investigation, even though 15 days have passed since the incident occurred, there is a high possibility that this incident may be closed without arriving at a conclusion.

#### **May Cool PRC-North Relations**

*SK2707100295 Seoul CHUNGANG ILBO in Korean*  
*27 Jul 95 p 3*

[Article by Beijing-based correspondent Mun Il-hyon]

[FBIS Translated Text] As it is now almost certain that Reverend An Sung-un's sudden entry into North Korea was not a defection, but a forcible abduction by North Korea, the Rev. An's case has turned into a diplomatic issue among North and South Korea and China.

Upon a strong request from the ROK Embassy in China on 26 July that the Chinese Government take strong measures for the early repatriation of the Rev. An, the Chinese Foreign Ministry vowed to take tough measures to resolve the issue, stating: "We regard this incident as one of grave importance because it took place in our territory, and we will clarify the incident thoroughly." The Chinese Government's attitude is quite unusual in light of its previous practice. The ROK Embassy in China interprets the Chinese Government's attitude to mean that the Chinese Government suspects that the Rev. An was abducted to the North, although the North claims that he defected.

There are reasons for the Chinese Government's vow to thoroughly clarify the incident. If the Rev. An's entry to the North turns out to be a forcible abduction by North Korean authorities, it is an act that gravely infringes upon the sovereignty of China. Although North Korea has been a blood ally to China, China can never tolerate the infringement of its sovereignty.

At that, foreign investment in the Yanbian area, which has been making rapid economic development since the establishment of diplomatic relations between the ROK and China, is made mostly by ROK businesses.

The incident of North Korea abducting ROK citizens from the Yanbian area in broad daylight will no doubt make ROK citizens feel that their personal security is at risk, dealing a serious blow to the desire of ROK businesses to invest.

There are about 300 ROK businesses in the Yanbian area, and some 1,000 ROK citizens reside there.

The impact of the Rev. An's incident is well demonstrated by the fact that the Hanguk Trading Company, an association of ROK businesses in Yanbian, held a two-day emergency general meeting and requested that the Chinese Government take special measures to protect the personal security of ROK residents. Therefore, China is certain to try to thoroughly clarify the incident, and if it proves to be a forcible abduction, there will be serious diplomatic friction between China and North Korea, according to the Beijing diplomatic sector.

If it proves to be a forcible abduction, Chinese authorities will pressure North Korea to repatriate the Rev. An soon. The North Korean side, however, which announced that it was a voluntary defection, will not readily accede to the Chinese request. Therefore, the two sides will argue for a considerable period, with the Chinese side claiming it was an abduction and the North Korean side claiming it was a defection, straining the relations between the two countries.

Apart from the incident involving the Rev. An, North Korea has taken a few steps that have provoked complaints from the Chinese government this year, such as flying a chartered plane between Pyongyang and Taiwan without consulting with China; supporting Kaohsiung, Taiwan as venue for the Asian Games; and not briefing China on its nuclear negotiations with the United States.

The incident involving the Rev. An, which occurred under these circumstances, must provoke the Chinese authorities once again, prolonging the cool atmosphere between China and North Korea for a considerable period of time, observers note.

#### **PRC Arrests Korean for Smuggling Human Cargo**

*SK2707082295 Seoul YONHAP in English*  
*0806 GMT 27 Jul 95*

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — A South Korean citizen, identified as Pak Chae-hyon, 41, was arrested by Chinese authorities in Qingdao City, Shandong Province, last month on charges of helping Korean-Chinese there smuggle into South Korea, the Foreign Ministry here said Thursday.

The South Korean consulate-general in Qingdao sent Consul Kang Sung-sok last Saturday to the first prison



in Qingdao to look into the circumstances of the arrest, the ministry said.

Pak was arrested on June 28.

#### **Request for Yanbian-Based Official Denied**

*SK2707060695 Seoul HANGUK ILBO in Korean  
27 Jul 95 p 2*

[By correspondent Song Tae-su from Beijing]

[FBIS Translated Text] It was learned on 26 July that the ROK Government has been negotiating with the PRC to permanently station a resident officer with diplomatic immunity in Yanbian, where 2,000 ROK residents, including businessmen and their families as well as students, currently live. The source that stated this added: "However, the PRC Government disapproves, saying that stationing a resident officer in an area where there is no diplomatic mission is not diplomatic custom."

#### **Bank To Make EDCF Loan to Papua New Guinea**

*SK2107021295 Seoul THE KOREA HERALD  
in English 21 Jul 95 p 8*

[FBIS Transcribed Text] The Export-Import Bank of Korea signed an agreement to provide a \$12.5 million Economic Development Cooperation Fund (EDCF) loan to Papua New Guinea (PNG) in Seoul yesterday.

The loan, which will carry an annual interest rate of 3.5 percent, will be repaid over the next 20 years, including a grace period of five years.

It is the first official development assistance (ODA) loan extended by EDCF to support Papua New Guinea's efforts for economic development.

The Papua New Guinean government will use the fund to modernize drainage facilities, thereby reducing flood damage and ensuring the efficient use of land in Wewak Town located in the East Sepik Province of the country, the state-run bank said.

On hand at the signing ceremony were Mun Hon-sang, president of the Export-Import Bank of Korea and David Goro Mai, commerce and trade minister of PNG.

The bank has been administering the EDCF since it was entrusted by the Korean government in June 1987 to promote cooperation with developing countries.

#### **Demand for Loans on Increase**

*SK2707022295 Seoul YONHAP in English  
0145 GMT 27 Jul 95*

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — South Korea's official loans to other developing coun-

tries, financed by the Economic Development Cooperation Fund (EDCF) set up in 1987, are on the increase and are expected to continue rising sharply after the country joins the Organization for Economic Cooperation and Development (OECD) next year.

Last year, the government provided EDCF loans totaling 102.8 billion won (136 million U.S. dollars) to six countries, including Indonesia, the Philippines and Egypt, to finance 11 development projects, according to the Finance and Economy Ministry Thursday [27 July].

The figure is compared with the 50.54 billion won extended to finance two development projects in 1993.

In the first half of this year, EDCF funds totaling 49.7 billion won were loaned to finance three projects in Vietnam and Ecuador and the amount for the entire year is expected to exceed last year's as the number of countries submitting applications is sharply increasing, a ministry official said.

EDCF funds extended to developing countries so far total 387.87 billion won, which breaks down by area into 49.7 percent (192.95 billion won) for Asian countries, 21 percent for European countries, 16.2 percent for African countries, 4.9 percent for Middle Eastern countries, 4.8 percent for Latin American countries and 3.4 percent for Oceanian countries.

The official loans also break down by use into 37.6 percent for the development of communication and electric power generation industries, 24.8 percent for the transportation industry, 12.3 percent for construction of irrigation facilities and 9.6 percent for vocational training.

The Foreign Ministry receives applications for EDCF loans, and the finance and economy ministry and the Export and Import (Exim) Bank of Korea jointly examine the applications before making on-site surveys of the projects which request financing from the fund.

The loans are extended on the principle of a buy-Korean policy and are thus instrumental for Korean businesses to tap into the new markets of developing countries.

In view of the ever-increasing demand for EDCF loans from developing countries, the fund should increase its capital of 580 billion won, which accounts for only 0.05 percent of the Gross National Product (GNP) against the 0.2 percent of its Japanese counterpart, to meet its increasing demands, an Exim Bank official said.

The EDCF's capital increase should be made when the country joins the OECD next year, he added.



**DLP Considers Changing Leadership Structure**

SK2307021095 Seoul THE KOREA HERALD  
in English 23 Jul 95 pp 2, 3

[Report by reporter Sin Yong-pae]

[FBIS Transcribed Text] The ruling Democratic Liberal Party (DLP) plans to create the post of vice president and put its operations under direct control of President Kim Yong-sam, who also heads the party as party president.

The DLP also plans to keep the current format of the chairmanship, its second highest post, which had been expected to be abolished.

But the role of the new party chairman is expected to change substantially.

Instead of controlling party affairs himself, the chairman will carry out orders on party operations by the party president.

So far, the party president has been staying away from day-to-day party operations and allowed the party chairman to manage the party at his own discretion when there is no serious decision to be made.

The ruling party has maintained the current chain of command since President Kim took office in early 1993.

Now the party finds it difficult to define the relationship between new party chairman and vice president. One idea is to give the role of consultations to the chairman.

The party's move to change its leadership is a reply to Kim's determination to revamp the party to win the general elections in April of next year.

Kim has yet to reveal his idea on how to reorganize the party leadership, but reports said he is expected to appoint leaders of the party's two factions as vice presidents.

"Their appointment will make the party become more dynamic as they would participate in the party's decision-making process," a party official said.

The move to position factional leaders in the forefront appears related to President Kim's plan to promote a generational change in the nation's leadership.

He is proposing a leadership change as a probable means of weakening two opposition leaders — Kim Tae-chung and Kim Chong-pil — who returned to the political center stage after the June 27 local elections.

The outcome of the elections virtually revived the era of the three Kims — President Kim and the two opposition leaders — which refers to their past domination of politics.

The main opposition Democratic Party (DP), which was backed by Kim Tae-chung, and Kim Chong-pil's United Liberal Democrats gained four of the 15 mayor and governor posts at stake, respectively. Of the 25 ward chief posts in Seoul, the DP swept all but two.

Kim Tae-chung, who has now come out of self-imposed retirement, is in the midst of creating an opposition party.

"Amid the rapid political realignment, President Kim must have felt the need to revamp the party leadership to fight against Kim Tae-chung and Kim Chong-pil," a party source said.

In particular, the expected appointment of factional leaders as vice presidents, the source said, bears much political implication as no particular person has emerged as a potential successor to President Kim.

Kim, whose term of office ends in early 1997 and re-election is banned under the Constitution, has refrained himself from hinting his potential successor probably because he does not want to become a lame duck president any earlier than he needs to be.

The introduction of multiple vice presidential posts may serve to test would-be standard-bearers of the party.

Potential candidates for vice presidents are Chairman Yi Chun-ku, Secretary-General Kim Yun-hwan, Vice National Assembly Speaker Yi Han-tong, Minister of Government Administration So Sok-chae, Reps. Choe Hyong-u and Kim Tok-yong.

Yi Chun-ku, Yi Han-tong and Kim Yun-hwan are leading politicians in the party's conservative Minjong faction.

So, Choe and Kim Tok-yong, all core members of President Kim's inner circle, are representing the reform-minded Minju group.

But the planned party leadership change may not be of greater concern to low-level officials and junior lawmakers of the party than the nomination of parliamentary candidates next year.

Rather, they are more concerned about President Kim's remarks that he will select all party candidates to run in the elections next April.

The remarks have triggered agitation among many lawmakers from the Minjong faction, who fear that they may not be nominated because of their connections with former Presidents Chon Tu-hwan and No Tae-u.

President Kim hinted that he will announce his plan to revamp the DLP shortly before the National Assembly opens its regular session in September when he met



with Chairman Yi Chun-ku at Chongwadae [presidential offices] Friday.

### Forces for 'New Politics' Emerging

SK2607115995 Seoul HANGUK ILBO in Korean  
26 Jul 95 p 4

[By reporter Kim Kwang-tok]

[FBIS Translated Text] "New Politics" forces have emerged under the banner of opposing the new era of the three Kims [Kim Yong-sam, Kim Tae-chung, and Kim Chong-pil], changing the generation in the political arena, and doing away with regionalism. These forces are accelerating to enter the political arena by forming a political party. This attracts our special attention.

The "Citizens' Alliance for Political Reform," Chonggaeyon, which formed a supporters' committee right after the local autonomy elections, held its second-round seminar on political affairs at the Sejong Cultural Center on 25 July and decided to form a political party in an effort to participate in the upcoming general elections for the 15th National Assembly.

Along with this move, some 300 young people of the so-called new generation are scheduled to have a news conference on 26 July to call for the "liquidation of the era of the three Kims," thus attracting our special attention as to whether they will form a "new political" organization.

The supporters' committee for organizing Chonggaeyon is reportedly composed of about 70 figures. Among them are Pastor Pak Hyong-kyu; Chang Ul-pyong, former president of Songgyungwan University; lawyer Hong Song-u; Im Chae-kyong, former vice president of HANGYORE SINMUN; Choe Yol, secretary general of the Environment Movement Union; and Yim Hyon-chin, professor of Seoul University.

At present, there are two different opinions within Chonggaeyon regarding its future. One is that a new political party should be founded with Chonggaeyon as the parent body and the other is that Chonggaeyon should remain a civilian movement organization.

Chonggaeyon is reportedly scheduled to have its supporters' rally in late August, and about 1,000 people from all walks of life, including university professors, artists, businessmen, lawyers, and former military general officers, are expected to participate.

People concerned with Chonggaeyon have said that it may maintain political ties with Yi Ki-taek's faction in the Democratic Party and the reform forces belonging to the democratic faction of the Liberal Democratic Party.

In the meantime, about 300 people, including lawyer Yi Yang-won, representative of "the Frontier of the 21st Century"; Yi U-chae, representative of the Organization for Promoting the Achievements in the Anti-Yusin Movement for Democracy; and Sin Hyong-sik, vice president of the Strategic Academy of the 21st Century; will reportedly hold a news conference at the Manhattan Hotel in Seoul in the morning of 26 July to urge the government to liquidate the era of three Kims and to investigate again the 18 May incident.

### New Party's Convention Slated for 5 Sep

SK2407093095 Seoul YONHAP in English  
0816 GMT 24 Jul 95

[FBIS Transcribed Text] Seoul, July 24 (YONHAP)

— The new opposition party being created by former opposition leader Kim Tae-chung decided Monday to hold its inaugural convention on Sept. 5 after holding a promoters' rally on Aug. 11.

The group also decided to publish an advertisement in daily newspapers Wednesday to solicit ideas for the name of the projected party and to recruit staff members for its secretariat and planning staff.

Those decisions were reached at a standing preparatory committee and leaders' conference held successively at the proposed party's headquarters in Yoido, western Seoul, presided over by Kim Tae-chung, advisor to the preparatory committee, spokesman Pak Chi-won said.

Some 1,200 people are expected to become promoters of the new party and they include lawmakers, party executive council members, members of local autonomy councils, non-lawmaker district chapter chairmen, influential figures recruited from outside established political circles and reputed party members.

Changing the original plan to have major city mayors and provincial governors promote the party, they decided to exclude them for the time being in view of their busy schedules during their initial period of duties, but they do expect to have governor and major mayors take part in the party inaugural convention.

As for the name of the new party, the promoters prefer one symbolizing the new era politics, national unification and the 21st century. A name gaining popularity inside the group is the "National Congress for New Politics."

Regarding party leadership, the adoption of the "chairman-vice chairmen formula" of India's ruling People's Congress Party is being considered, according to the sources.



### Exit From DP Delayed

SK2507092295 Seoul YONHAP in English  
0656 GMT 25 Jul 95

[FBIS Transcribed Text] Seoul, July 25 (YONHAP) — Kim Tae-chung's new party set Tuesday two dates for its lawmakers to bolt from the Democratic Party (DP): Aug. 10 for district-elected lawmakers and the closing day of the coming regular National Assembly session for proportional representative lawmakers.

The party made the decision as the Central Election Management Commission ruled Monday that the proportional representative lawmakers will be deprived of their parliamentary seats when the Democratic Party's parliamentary district chapters are dissolved.

The secession date for proportional representative lawmakers makes them unable to join the new party when it is inaugurated on Aug. 11, reducing the number of Democratic Party lawmakers joining the new party from 68 to 54 because 14 lawmakers, including Reps. Chang Che-sik, Yi U-chung and Pak Che-won, have to remain affiliated with the Democratic Party until the coming annual budget session of the parliament closes in early December.

As a consequence, the Democratic Party will have more than 30 parliamentary seats, including those lawmakers loyal to President Yi Ki-taek who refuse to join the new party, irrespective of whether it wants them or not. It will thus become the third largest party on the floor, following the ruling Democratic Liberal Party and the new party.

The decision to have the 14 proportional representative lawmakers remain affiliated with the Democratic Party is expected to cause a heated debate about the new party's political ethics.

The new party is already under fire for its delay in letting lawmakers secede from the Democratic Party.

Despite its motto of "new politics," the new party, begrudging 14 parliamentary seats, decided to leave the proportional representative lawmakers in the Democratic Party, and critics see it as a wily game to drive Democratic Party President Yi into a corner.

Kim Tae-chung, officially an advisor to the new party's organizing committee, was behind this decision.

New Party Spokesman Pak Che-won said proportional representative lawmakers should perform their duties as parliamentarians until the coming regular parliamentary session ends, adding that all lawmakers, both district-elected and proportional representative, will not decide individually the course of action to pursue in relation to the new party.

Proportional representative parliamentarians will virtually end their four-year term when the regular parliamentary session closes in early December, after which they will be constrained to make a decision on their party affiliation for the 15th general elections slated for next year.

By leaving the 14 lawmakers in the Democratic Party, the new party prevents President Yi's followers from occupying the parliamentary seats which would otherwise be vacated. This is why Yi saw the new party's decision as "a harassment operation."

Some say it would be easy for Kim Tae-chung to eliminate some of the lawmakers he dislikes from the new party's parliamentary nomination for the coming general elections.

Rumors are already spreading that less than half of the 14 lawmakers remaining in the Democratic Party will be nominated by the new party for the 15th general elections.

The Democratic Party sharply criticized the new party for its decision to leave 14 proportional representative lawmakers in the Democratic Party, calling it "a disgraceful act" and "a wily decision."

The new party is separating from the Democratic Party and leaving its lawmakers to interfere in its affairs is an act that cannot be overlooked from the viewpoint of political ethics, a statement issued immediately after the new party announced the decision said.

President Yi Ki-taek is worried that the lawmakers remaining in his party will cause trouble during the DP's upcoming national convention.

He said he would take every possible measures to deal with them.

Proportional representative lawmakers remaining in the Democratic Party only to keep their parliamentary seats will be subject to stern judgement in the coming general elections, a close associate of Yi said.

When the National Assembly sits for a regular budget session in September, the Democratic Party will sharply criticize the new party for its shameless decision to have 14 proportional representative lawmakers remain in the Democratic Party on the parliamentary floor, he added.

On the possibility that the 14 lawmakers and the so-called save-the-party group will form a separate floor negotiating group in the parliament, he said the party would amend the rules to strengthen the president's power in the coming national convention.



**Tentative Name Chosen**

SK2707021795 Seoul YONHAP in English  
0148 GMT 27 Jul 95

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — Kim Tae-chung's new party tentatively decided Thursday to name itself the "National Congress for New Politics," Rep. Pak Chi-won, spokesman for the party, said.

The soon-to-be-inaugurated party held a plenary meeting of the preparatory committee for the formation of the new party in the morning and decided to use the proposed name although it plans to make a final decision after deliberating a list of names it is collecting from the public.

Lawmakers at the meeting agreed to use the name tentatively because people including journalists are referring to it as "Kim Tae-chung's party," giving people the impression it is a "one-man-leadership party."

Rep. Pak said that the English name of the party may either be the "National Council for New Politics" or the "National Congress for New Politics."

"However, we can change the name if we find a better one on the list we are collecting from the public," he added.

**Government Postponing Mandatory Rice Imports**

SK2707121995 Seoul MUNHWA ILBO in Korean  
27 Jul 95 p 9

[FBIS Translated Text] The government has decided to postpone importing the rice that is mandatory pursuant to the settlement of the Uruguay Round from September to November.

The government made the decision because the international price of rice is rising rapidly as the stock of rice is diminishing in major rice exporting countries, such as Thailand, as the in-between season for rice began worldwide.

According to information released by the Ministry of Agriculture, Forestry, and Fisheries on 27 July, the government had planned to import through the office of supply 51,000 tonnes (350,000 som) of rice from such countries as the United States and Thailand beginning this September, but it has decided to postpone it to November.

Kim Tong-tae, director of the Agricultural Policy Office of the Ministry of Agriculture, Forestry, and Fisheries, stated: We planned to import the rice in September, prior to the rice harvest. Considering the storage capacity of the government's grain storage warehouses, however, and because the international price of rice is rising

steadily, we have decided to postpone importing the rice after consultation with the office of supply.

Presently, the international price of rice is \$370 per tonne for long-grain rice of Thai origin, an increase of as much as 12 percent from one month ago. Long-grain rice from Arkansas increased from \$298 around the end of last year to \$375 per tonne, an increase of as much as 26 percent.

This trend of rising international prices for rice is a normal phenomenon that is witnessed in-between seasons, and the international price of rice is expected to stabilize in November when the year's new crop of rice is put on the market in a full-fledged manner, the agricultural and fisheries officials observe.

**Simpler Foreign Investment Procedures Coming**

SK2607042695 Seoul THE KOREA HERALD  
in English 26 Jul 95 p 8

[FBIS Transcribed Text] Starting September, foreign individuals and corporations residing in Korea will be allowed to invest in local bonds, beneficiary certificates and stocks listed on the over-the-counter (OTC) market.

The government will greatly simplify the investment registration procedure for foreign investors and allow foreign institutional investors to open subaccounts at local brokerage houses.

Local securities firms will be permitted to borrow funds from foreign lenders to finance their underwriting of foreign securities.

Local brokerage houses and their wholly incorporated overseas subsidiaries will be allowed to make overseas investment investments up to \$300,000.

These are included in a package of 33 securities-industry deregulation measures announced by the Ministry of Finance and Economy yesterday. Of the 33 deregulatory steps, 29 will be effective immediately, while four others will be implemented gradually after amending related laws and enforcement decrees.

It is the second time this year that the government came up with deregulation measures regarding the securities industry. In late April, the government eased 55 restrictions and it will continue to push for deregulation in the future.

According to the new measures, foreign individuals must reside here for over one year to be entitled to invest in local bonds, bond-type beneficiary certificates and shares listed on the OTC market. Foreign corporations should be in business for more than two years here to make such investments.



No limit will be imposed on the dollar amount invested in the securities but foreign investors will have to register their investments with the authorities concerned.

Classified as foreign investors, both individuals and corporations residing here have so far been allowed to invest only in listed stocks and stock-type beneficiary certificates.

The government will also drastically cut the time needed for foreign investors to complete their investment registration. The time will be shortened to three to five days from the current two to three weeks.

One-time acquirers of local stocks will be exempt from the investment registration requirement and have only to report their acquisitions to the authorities concerned. One-time acquirers refer to those foreign investors who have holdings of local corporate bonds converted into shares.

To help domestic securities firms under-write stock and bond issues on the foreign market, the government will allow them to take out loans from foreign lenders within the amount needed to finance the underwriting.

Local securities companies will be allowed to hold foreign exchange within 1 percent of their net capital for money-exchange purposes.

The maximum payment guarantee which local brokerage houses can extend to their overseas subsidiaries will be raised to up to three times the subsidiaries' net capital. Currently, they are allowed to provide payment guarantees within the subsidiaries' net worth.

Domestic individual investors will be allowed to buy shares traded on the U.S. OTC market of NASDAQ [National Association of Securities Dealers Automated Quotations]. Foreign stocks that they are presently permitted to invest in are limited to those listed on 13 foreign stock exchanges, including the New York Stock Exchange.

The government will also lift the ceiling on the scrip issue by listed local corporations. A scrip issue is the issue of new share certificates to existing shareholders to reflect the accumulation of profits in the reserves of a company's balance sheet.

#### **Prosecutors To Work in Overseas Missions**

SK2507092395 Seoul YONHAP in English  
0805 GMT 25 Jul 95

[FBIS Transcribed Text] Seoul, July 25 (YONHAP) — The Justice Ministry decided to assign prosecutors to the diplomatic missions based in Geneva and the United Nations as a follow-up to the passage of a Foreign Ministry restructuring bill at a cabinet meeting Tuesday.

The prosecutors will be working as counselors for legal affairs. The number of prosecutors posted at overseas missions will, therefore, be increased to four from the current two, one each at the embassies in the United States and Japan.

An official at the Justice Ministry said, "It is indispensable now for a country to have legal specialists at its missions overseas since legal procedures have been strengthened in the settlement of international disputes."

#### **Government Moves To Standardize Parts Industry**

SK2707013895 Seoul THE KOREA TIMES in English  
27 Jul 95 p 8

[FBIS Transcribed Text] The government is setting in motion an integrated plan to standardize parts and components for automobiles, electronics and machinery to reduce costs, improve quality and enhance international competitiveness.

The Ministry of Trade, Industry and Energy [MOTIE] said yesterday that the plan is in line with the program to localize sophisticated technologies for capital goods, because this is only made possible by the joint development of components.

MOTIE officials said a major problem in Korean industry is the procurement of parts and their development. This often results in repetitious investment and lost efficiency.

Under the projected plan, companies engaging in the joint development and production of parts and components will be offered a range of incentives, including exemption from the tedious procedure of obtaining government approval.

Vendor companies will also receive the benefit of procurement priority in purchases by state-invested or run corporations, the MOTIE officials explained.

The products developed and marketed under the plan will be provided with preferential treatment in quality assurance recognition applications as well, they added.

Efforts by MOTIE to realize a high level of parts standardization actually go way back but the unique system of parts procurement here has hampered progress.

According to Yi Hun-u, MOTIE director general for basic industries, companies often procure a single component from a number of vendors, leading to quality and cost problems.

"Many of these vendor companies are run by persons with special contacts with the owners and senior management of the firms which they supply and there is little procurement officers can do," he explained.



However, MOTIE experts believe that the standardization of components will generate similar revenues and require similar amounts of manpower to those presently seen since supply has been having difficulty keeping pace with demand.

In fact, the standardization of the parts should lead to improved quality and lower costs, thus enhancing competitiveness and creating greater demand for finished products," one expert noted. [quotation marks as published]

To further encourage companies to engage in parts standardization, the government is also drafting a plan to provide financial assistance.

MOTIE officials said studies of Japanese and other leading countries' industries have shown that the effective standardization of parts and components can lead to cost reductions of 5-15 percent, making it worth the investment.

#### **Korea Telecom Likely To Win PCS License**

SK2707020595 *Seoul THE KOREA HERALD*  
in English 27 Jul 95 p 8

[FBIS Transcribed Text] The government is likely to award the PCS (personal communications service) licenses to Korea Telecom and two other companies this year.

Two to three telecom operators will be able to newly obtain licenses for the trunked radio service (TRS), dispatch-only cellular call service (cordless telephone-second generation, or CT-2), wireless data communications service and paging service.

But the government is determined not to put a limit on the number of new entrants in the leased-line service sector.

The government will also newly license a third operator in the country's international call service market by the end of this year.

The above scenarios were made public during a hearing organized by the state-run Korea Information Society Development Institute (KISDI) in Seoul yesterday.

Several researchers at the KISDI, affiliated with the Ministry of Information and Communication (MIC), presented dissertations on how to upgrade the domestic telecom service industry through market liberalization during the hearing.

Opinions presented by KISDI hold great importance as many of them have been adopted as official policy lines of the MIC so far.

"The telecom authorities should select the third international call service provider earlier than scheduled in consideration of the WTO [World Trade Organization] negotiations," said Choe Son-kyu, a KISDI researcher.

Choe said that it is desirable to designate a nationwide service operator and about nine regional operators in the fields of PCS, CT-2 and paging service.

In the case of wireless data communications service, the number of nationwide service operators can reach three, he said.

As for the ways to strengthen Korea Telecom's competitiveness, Choe said that it is desirable to separate financial accounts among the telecom giant's local, long-distance and international call service divisions. MIC Minister Kyong Sang-hyon has already vowed to develop Korea Telecom into a world-class telecom giant over the next several years.

"In principle, conglomerates should not be allowed to apply for more than two telecom service licenses to prevent the concentration of economic power," Choe said.

"However, the conglomerates will be allowed to participate in their second choice of service as a non-controlling shareholder with a stake of less than 5 percent," he said.

The KISDI is to deliver Choe's presentations to the MIC by Aug. 5.

Then, the ministry will give out a public notice on the license-awarding process by the end of August.

#### **Labor Productivity 'Jumped' in First Quarter**

SK2707111895 *Seoul YONHAP* in English  
1045 GMT 27 Jul 95

[FBIS Transcribed Text] Seoul, July 27 (YONHAP) — South Korea's labor productivity jumped 12.7 percent in the first quarter of this year over a year before.

A material released Wednesday by the Korea Productivity Center (KPC) showed that it was the highest increase since the first quarter of 1991.

The labor productivity index in the first quarter stood at 157.5, up 17.7 points over the same period of last year when it was 139.8.

Stating that labor input gained only 1.2 percent in the January-March period, a KPC official said the phenomenal increase in labor productivity was owing to a 14.1-percent increase in industrial production influenced by brisk exports and facilities investment.



By industry, labor productivity showed a decline of 0.6 percent in mining, a gain of 12.8 percent in manufacturing, and an increase of 13.5 percent in electricity (including gas).

Meanwhile, value added labor productivity increased 1.0 percent in mining, 10.0 percent in manufacturing and 10.4 percent in electricity, according to the material.



## Brunei, Malaysia & Singapore

### Malaysia

#### Response to Developments in Bosnia Reported

##### Prime Minister on Arms

*BK2707081595 Kuala Lumpur BERITA HARIAN in Malay 27 Jul 95 p 2*

[FBIS Translated Text] Langkawi, Wednesday [26 July] — Malaysia remains steadfast in its policy of supplying arms to Bosnia-Herzegovina despite U.S. opposition, Datuk Sri Dr. Mahathir Mohamed has said. According to the prime minister, the matter was discussed by the cabinet during its weekly meeting today. The cabinet reaffirmed the government's stance on the matter.

When asked to comment on Washington's opposition to the move to supply arms to Bosnia-Herzegovina, Dr. Mahathir said: "They have the right to oppose the move and we have the right to define our stance." The government adopted the stance after the Organization of the Islamic Conference dismissed the UN-imposed arms embargo on the former Yugoslav republic as illegal and void.

Dr. Mahathir said the arms supply process will be subject to procedures. He said all points and follow-up measures pertaining to paperwork will be taken into account.

The prime minister said this at Padang Mat Sirat International Airport in Langkawi this afternoon. He is in Langkawi to inaugurate the Langkawi International Dialogue (LID). Dr. Mahathir said he hoped that the dialogue will be greatly productive.

"I cannot say that I do not hope for something," he said.

Immediately after his arrival, Dr. Mahathir inspected the airport expansion project scheduled to be ready in October.

##### Deputy Minister on Safe Havens

*BK2707091195 Kuala Lumpur UTUSAN MALAYSIA in Malay 26 Jul 95 p 15*

[FBIS Translated Text] Kuala Lumpur, 25 Jul — The United Nations has been urged to act immediately to recapture the UN safe havens of Zepa and Srebrenica from the Bosnian Serb terrorists.

Deputy Defense Minister Datuk Dr. Abdullah Che Wan said the United Nations should not turn a blind eye to the seizure of the safe havens.

He said the United Nations itself had declared Zepa and Srebrenica as safe havens but had tragically failed

to take any action when the two areas were captured by the Serbs.

"The UN credibility has now been questioned by many countries for being indifferent to the situation," he told reporters after receiving a courtesy call from Lieutenant General Suyono, chief of the General Staff of the Armed Forces of the Republic of Indonesia, at his office here today.

He was asked to comment on the latest developments in Bosnia-Herzegovina after the Serb terrorists captured Zepa, another safe haven, yesterday. The terrorists captured Srebrenica on 11 July.

Dr. Abdullah questioned the partiality of the United Nations and its allies as well as NATO in handling the Bosnian issue.

He said they have not gotten involved in and allowed the brutalities to continue in Bosnia-Herzegovina because they have no particular interests there, unlike in the Persian Gulf.

"Accordingly, we have voiced our opposition to their attitude and rejected the UN arms embargo against Bosnia-Herzegovina," he said.

Dr. Abdullah reiterated Malaysia's readiness to supply arms to the Bosnian Government if that country can afford to buy them.

He said Malaysia will receive assistance from the Contact Group of the Organization of Islamic Conference in sending arms for Malaysian peacekeepers in Bosnia-Herzegovina.

On Lt. Gen. Suyono's visit, Dr. Abdullah said the two sides have agreed to continue good relations which they have enjoyed over the past 25 years.

On the issue of Sipadan and Ligitan Islands, he said the Malaysian and Indonesian Governments will continue diplomatic talks to seek a solution to the issue.

He said the two sides have also agreed to bring the issue to the International Court of Justice if there is no solution to it.

#### Youth Contribute \$40,000

*BK2707131695 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 27 Jul 95*

[FBIS Translated Excerpt] The UMNO [United Malays National Organization] Youth Movement, with the co-operation of mass media organizations will set up a Bosnian Arms Fund. This is in line with the government's decision to supply arms to Bosnia-Herzegovina.



Datuk Mohamed Nazri Aziz said that the movement is contributing 100,000 ringgit [U.S. \$40,000] to set up the fund.

[Begin Nazri recording] The UMNO Youth Movement is contributing 100,000 ringgit especially for the start of the fund. The main thing is, now the government needs the people's support and I hope the people will contribute to the fund. This is actually a support for the government's stand, more than anything else. [preceding sentence in English] [end recording]

Datuk Nazri, who is also a deputy minister in the Prime Minister's Department, said this at his office in Kuala Lumpur. A meeting with the mass media to set up the Bosnian Arms Fund will be held two week from now.

He said that the UMNO Youth and the people fully support the government's stand on supplying arms to the Bosnians because the UMNO Youth is fed up with the United Nations' failure to settle and the West's wavering stand on the Bosnian issue. The West, especially the United States, has no right to oppose Malaysia's decision to supply arms to Bosnia because it has its own rights. [passage omitted on decision by Malaysia, Organization of Islamic Conference to supply arms to Bosnia]

#### **Government Retains Asia-Europe Summit Position**

BK2607120795 Kuala Lumpur THE STAR in English  
26 Jul 95

[Report by Harpajan Singh, Shahanaaz Sher Habib and Jacqueline Ann Surin — received via Internet]

[FBIS Transcribed Text] Bandar Seri Begawan — Malaysia stood its ground yesterday to insist that only 10 East Asian economies participate in the proposed Asia-Europe summit — amid talk that Tokyo may pull out unless Australia and New Zealand were included.

Foreign Ministry Secretary-General Tan Sri Ahmad Kamil Jaafar said he did not think there was a need to evaluate who should attend, as Asean had already made that decision in Singapore.

"And we stand by that decision," he said in response to reports that Japan had proposed that Australia and New Zealand be included in the summit, failing which Tokyo may have to reconsider its participation.

Asean delegates said the matter was discussed at the senior officials meeting here after Japan had forwarded their proposal to Asean.

They said two Asean countries had supported the Japanese idea as they did not want to see Tokyo staging a pullout but Kuala Lumpur had pushed hard for Asean to stand by its earlier decision to limit participation to

three economies apart from the Asean Six and Vietnam. The other three are Japan, South Korea and China.

Ahmad Kamil said that to make the summit effective, "the group should not be so large so as to undermine the effectiveness of the summit."

He added that Asean foreign ministers would meet on Monday with the three prospective East Asian economies and three European Union economies — Spain, France and Italy — to finalise preparations.

Chairman of the senior officials meeting Datuk Lee Jock Seng told reporters that Myanmar [Burma] had sent an application to Asean, seeking to accede to the Treaty of Amity and Co-operation, following its intention to join Asean as a full member.

Ahmad Kamil commented that Myanmar "can't just join Asean like that. They have to subscribe to the Asean Free Trade Area's (AFTA) tariff reduction mechanism, the Common Effective Preferential Tariff (CEPT) scheme and others," he said.

#### **Commentary Hails Vietnam Membership in ASEAN**

BK2707101195 Kuala Lumpur Voice of Malaysia  
in English 0810 GMT 26 Jul 95

[Station Commentary]

[FBIS Transcribed Text] It has been less than 10 years since Vietnam decided on a massive change of policy in Southeast Asia. Its troops' withdrawal from Cambodia diffused a threatening border problem with Thailand. Hanoi's decision to demobilize much of its army and concentrate on economic development was a watershed. Now it is apparent that ASEAN members have reacted in a correct way to these moves.

They dropped their confrontation with Hanoi and encouraged a new policy. Although it is far behind other ASEAN members in the economic field, the group agreed to welcome Vietnam into the fold of cooperating Southeast Asian Nations. This blind harmony between Vietnam and its former foes is all the more remarkable because it is driven by some who took part in the battlefield and political wars over the 1960's and 1970's.

In the 20 years since the communist captured Saigon, Ho Chi Minh City, war and anti-war veterans have become leading politicians. The official end of the Vietnam War, and then now its membership in ASEAN, will surely go down as the turning point in Vietnam's assimilation into the international community. But for Vietnam, the challenge ahead will be far greater. It is on the track nevertheless as evident by its reform toward free market



policies. This will put it in good stead to eventually join up with the ASEAN Free Trade Areas, AFTA.

ASEAN realizes Vietnam has a lot of catching up to do, which is why it has been given time to further develop its economy. Even now, it is going full steam ahead with a unique reform policy, popularly known as Doi Moi [renovation], which is aimed at opening up the country. What matters most to Vietnam at this point is its economy — to rebuild its economy which has lagged far behind other countries. It wants to improve trade and economic relations with all countries and accept foreign investment.

The final vote for Vietnam came about recently when the United States withdrew its economic embargo on the Indochinese country. Its Doi Moi policy has encouraged investment from abroad. There would be obvious celebration in conjunction with Vietnam being admitted as ASEAN's seventh member at the ASEAN Foreign Ministers Meeting in Brunei this Friday.

Nevertheless, there are some teething problems. Hanoi has to overcome some of its structural problems and cut down on red tape. A conducive environment must be created for foreigners to come here. Further efforts are needed for open door measures and liberalization. The Doi Moi influence must not only influence the economic arena but also the political realm as well. Democratization and liberalization would allow the people to exercise their initiative, otherwise it would not become a vibrant society. However, it is on the right course.

In less than a generation, ASEAN has moved from fighting a war to a spirit of accord. This is without doubt an event worthy of celebration.

## Singapore

### Mongolian Prime Minister Jasray Begins Visit

#### Arrives; Pact Signed

*BK2407142695 Singapore Radio Corporation of Singapore in English 1300 GMT 24 Jul 95*

[FBIS Transcribed Text] Singapore and Mongolia have signed an investment guarantee agreement as the first step to boost economic ties.

The ceremony was witnessed by Prime Minister Goh Chok Tong and his Mongolian counterpart, Puntsagiyn Jasray. Mr. Jasray arrived in Singapore this afternoon on a three-day state visit.

### Goh Vows Support

*BK2707075195 Singapore THE STRAITS TIMES in English 26 Jul 95 p 3*

[FBIS Transcribed Text] Singapore will support Mongolia's bold move to transform its economy into a market-oriented one, Prime Minister Goh Chok Tong said yesterday.

"We support your bold moves to turn Mongolia into a market-oriented economy and to diversify its trade relations. We will be happy to share our experiences with you and to continue to provide technical assistance to your country within our experience and limited resources," he said.

He was speaking during a dinner he hosted for the prime minister of Mongolia, Mr. Puntsagiyn Jasray, and his wife at the istana [palace].

Mr. Goh lauded Mongolia's efforts to open up and rebuild the country into a democracy.

This, together with establishing a market economy, "will help Mongolia to join the prevailing multilateral open trading system."

Mongolia underwent simultaneous political and economic reforms in 1990 to transform their then socialist system into a democracy with a market economy.

Mr. Goh said that although diplomatic relations had been established since 1970, there had been few exchanges between the two countries because of "geographical distance and lack of strong trade links."

Thus, Mr. Jasray's visit, the first ever by a Mongolian head of government, was "a landmark in the development of our bilateral relations."

Previously, officials from the two countries had worked closely in multilateral conferences such as the United Nations and Singapore had, over the last three years, received more than 40 trainees from Mongolia under Singapore's technical assistance programmes. Bilateral trade in 1994 was S [Singapore] \$11 million, twice the volume of 1993.

This was encouraging, but there was much room for improvement, Mr. Goh said.

He highlighted the signing of the Investment Guarantee Agreement [IGA] on Monday as a move that would "provide greater confidence to businessmen and investors of our two countries" and would "help to expand the economic and business links between us." The IGA would provide for most favoured nation treatment to be accorded all investments under the agreement.



In response, Mr. Jasray said in his speech that the agreement would play an important first step in developing relations between the two countries.

The conclusion of an agreement on avoidance of double taxation was agreed upon, he said.

One of the main objectives of Mongolia's foreign policy, said Mr. Jasray, was to promote bilateral relations with Asia-Pacific countries. "To this end, Mongolia is keenly interested to join APEC [Asia-Pacific Economic Cooperation] and to participate in the ASEAN Regional Forum," he said.

Mr. Jasray is on a three-day visit to Singapore at the invitation of Mr. Goh.

Earlier in the day, Mr. Jasray and his delegation visited the Economic Development Board and were hosted to lunch by the Singapore Federation of Chambers of Commerce.

Mr. Jasray pointed out key investment opportunities in Mongolia which Singapore businessmen could exploit. These included opportunities in tourism and the establishment of free trade zones by early next year with China and Russia.

## Cambodia

### Commentary on Efforts To Obtain More IMF Aid

BK2707001395 *Phnom Penh National Radio of Cambodia Network in Cambodian*  
1300 GMT 25 Jul 95

[Political commentary: "Pure Gold, Gold of the Purest Quality"]

[FBIS Translated Text] Of late, analysts have seen that the Royal Government has made efforts to overcome the serious difficulties experienced by the people — the food shortages, the destructive attacks of the Khmer Rouge in a number of provinces along the Cambodian-Thai border, and so forth. What is most hurtful is that some Cambodian personages have used all kinds of propaganda to slander the Royal Government as being dictatorial and corrupt so as to make the international community distrust the Royal Government.

Pure gold is always pure and maintains its purity even though it is dropped into mud. This is the truth.

At a signing ceremony between the Ministry of Economy and Finance and National Bank of Cambodia, and the International Monetary Fund on the evening of 17 July at Vat Phnum Government House, IMF adviser Michael Kuhm, said: We have clearly seen that the Royal Government of Cambodia [RGC] has done its best in line with the program it signed with the IMF.

Therefore, the IMF must help the Royal Government with aid to improve the Cambodian economy according to the request of the Kingdom of Cambodia.

At the signing ceremony, the RGC's economic blueprint was presented to the IMF for use in obtaining more aid for Cambodia's national development.

This document presented to the IMF executive director clearly stipulates the work the RGC will carry out in 1995 and the coming years. It also states RGC's assurances to the IMF on its efforts to economize and earn more revenue for the state budgets and to improve Cambodia's economy.

This document requests the IMF for more aid for economic development, including the reformation of the economic system and administrative structures. The main point is that it helps [words indistinct].

It is known to all that the IMF holds the key to the cof-fer. Therefore, if the Royal Government's conduct does not comply with the planned program and documents, it will not give Cambodia any aid. However, through the Royal Government's efforts, such as in eliminating corruption and banning log exports, the IMF has realized that the Royal Government has done its best in line with the projects stated in the documents. If the IMF is assured that the Royal Government's conduct conforms with its assurances, it will provide funds to Cambodia to support moves to stabilize the riel currency. It will also inform the world about this. The world which consists of many countries will know about the situation and provide more aid to Cambodia. This reflects the truth [passage indistinct].

Pure gold is not afraid of fire and will [words indistinct].

### Military Action on Sisophon-Poipet Route 5 Noted

BK2707090695 *(Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian* 2330 GMT 26 Jul 95

[FBIS Translated Text] During this rainy season, our National Army of Democratic Kampuchea [NADK] and people have continued to carry out their 10-day plans very actively and to attack and pin down the enemy everywhere.

On 15 July our NADK and people on the Sisophon-Poipet battlefield severely trounced the troops of the two-heads, lackeys of communist Vietnam and the alliance, who did their utmost to reopen the stretch of Route 5 from Sisophon to Poipet. We killed on the spot 106 enemy soldiers, wounded 35, and captured 15 others. We destroyed a number of additional enemy positions. At the same time, we further damaged Route 5 by digging many more large pits on its surface.



When Route 5 — their main blood vessel — was cut between Sisophon and Poipet, the two-headed lackeys of communist Vietnam and the alliance became very scared. They mustered the remnants of their troops from left and right in an attempt to reopen this vital artery. However, they were beaten and their main blood vessel became even more damaged and blocked. This constitutes a serious defeat for the two-heads, communist Vietnam, and the alliance during this rainy season and it constitutes an even more brilliant victory for our NADK.

Where has this victory come from? It has come from the fact that our NADK and people successfully and consistently implemented their guerrilla and people's war tactics in line with the 10-day plans. They brought into play a very inventive method of attack; were in complete control of the enemy situation; and took the initiative over the enemy by attacking him from the rear, hitting him in his troop concentration, killing as many of his personnel as possible, causing confusion within his ranks, completely dashing his spirit, and scattering all his plans. This is a good experience for us.

Now the two-heads find themselves in very grave danger because all their blood vessels, large and small alike, are being severed. So are the Phnom Penh-Battambang railroad, Route 5, Route 6, Route 12, Routes 68 and 69, and the An Seh mountain pass. Route 10 is also blocked and Battambang Town is facing imminent danger. Moreover, their soldiers' morale has been low because they have no rice, no fuel, and no troops with which to fight. They are losing mastery on every field and cannot decide what to leave behind and where to go.

Our NADK and people are continuing to implement their 10-day plans even more successfully, effectively, and concertedly throughout the country. We continue to attack the enemy everywhere — on Route 5 between Sisophon and Poipet, the railroad, Route 6, Routes 68 and 69, and Route 12 — riddling him more thoroughly and crushing him more deeply into the mud to create a better condition for us during the coming dry season and in the future. If we do our best to implement our 10-day plans ever successfully and we implement our guerrilla and people's war more successfully and actively, the two-heads, communist Vietnam, and the alliance will surely not be able to free themselves and will sink deeper and deeper until they are forced to end the communist Vietnamese war of aggression in Cambodia. Then, the Cambodian people will surely achieve national reconciliation and lasting peace in Cambodia.

#### **Battle at An Seh 22-24 Jul Reported**

*BK2707094195 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 27 Jul 95*

[FBIS Translated Text] From 22 to 24 July, the two-heads comprised of Ke Kimyan, Nhoek Bunchhai, Meas Sophea, and Prum Samen personally organized an operation against us at An Seh, Choam Khsan District, on the North Preah Vihear battlefield. For this purpose, they rounded up the broken and rotten troops of the 2d Division, the Preah Vihear provincial forces, and the 1st Military Region and launched them against us in three prongs.

Prong No. 1: On 22 July some 200 enemy soldiers attempted to wrest control of Hill 677 from us. We cut the enemy forces into pieces and drove them into the fields of our poison stakes, plain stakes, and assorted landmines, forcing them to retreat in disorder. We killed two enemy soldiers on the spot. Several other enemy troops were killed in our stake and mine fields. We also wounded five other enemy troops and seized one B-40.5 and 400 rounds of AK ammunition and destroyed two AK's.

Prong No. 2: On 23 July 60 enemy soldiers attempted to wrest control of Hill 500 from us, but they either fell into our fields of poison and plain stakes and assorted landmines or were ambushed by our army. The beaten enemy soldiers ran in disorder all over the fields of our stakes and mines. Four enemy bodies were found and many others were lost in our stake and mine fields, including that of a lieutenant. We destroyed a field radio and seized a quantity of ammunition and war materiel.

Prong No. 3: On 24 July the enemy rounded up some 100 of their routed soldiers and sent them back to the front with the support of four tanks, one 182mm cannon, two 100mm mortars, and one 80mm mortar, pushing from Choam Khsan to An Seh. However, they were intercepted and cut into pieces by our National Army of Democratic Kampuchea and people. An enemy tank was knocked out. It was pulled back to Choam Khsan. Two other tanks were pinned down on the spot. Following the fighting which lasted until 1700 on 24 July, we swept all two-headed troops out of the area 10 km from An Seh.

As an initial result, we killed eight enemy troops on the spot and wounded five others. The broken and rotten troops of the 2d Division sent from Kulen District retreated in fear beyond Choam Khsan. The troops from the Preah Vihear provincial forces and the 1st Military Region were also trounced and fled the scene. The soldiers who crossed people's villages in their escape



said: There are too many stakes and mines. Many two-headed soldiers who were killed or wounded were left behind. No one could help anybody. Moreover, the soldiers have no rice to eat, no hammocks in which to sleep, and no rain cloth to shield them from the rain. They have to sleep in the dirt, soaked to the bones. Almost everyone of them is affected with malaria or typhoid fever.

They said they swore they would never allow themselves be drafted by the two-heads to fight and die in Preah Vihear again. They said: Let Prum Samen, Ke Kimyan, Nhoek Bunchhai, Hun Sen, and Ranariddh fight and die for themselves.

### **Indonesia**

#### **Suharto Urges Completing Natuna Project**

*BK2607134295 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 26 Jul 95*

[FBIS Translated Text] President Suharto has called for the assistance of cabinet ministers, companies, and all Indonesian people to ensure that the Natuna national project will be completed on schedule. The president said this when he chaired the first plenary meeting of the Natuna national project at Bina Graha presidential office this afternoon.

Speaking to reporters after the meeting, Habibie, state minister for research and technology and concurrently chairman of the Natuna development project, said there is a deposit of 46 trillion cubic feet of hydrocarbon, or about three times that of the Arun field. The hydrocarbon deposit at the Natuna Islands can produce 15 million tonnes of liquefied natural gas [LNG] annually for 30 years. Habibie said the Natuna LNG is scheduled for first shipment in 2004 or 2005 to the importing countries, namely Japan, Korea, and Taiwan. He said the giant Natuna project, which costs about U.S.\$42 billion, is expected to become a source of employment for Indonesian people and at the same time increase their skills. The development of the Natuna project is carried out by qualified and experienced companies registered in Indonesia.

#### **Minister Views Businesses of Officials' Children**

*BK2507153895 Jakarta ANTARA in Indonesian 0336 GMT 25 Jul 95*

[FBIS Translated Excerpt] Semarang, 25 Jul (ANTARA) — Defense and Security Minister Edi Sudrajat says the ongoing press polemics on children of high-ranking officials engaging in business must not be politicized, but should be viewed as the society's desire to see the realization of an independent business world.

The minister made the remarks in his speech to participants of the national workshop of the Indigenous Businessmen Association in Semarang on Monday night. Members of the association have been urged not to depend on the government to provide facilities.

"Any dependence on the government, especially on officials for special facilities, is not in line with the true spirit of entrepreneurship," said the minister, who added that a real entrepreneur is one who can create and use an opportunity without taking illegal courses of action. The minister also urged members of the Indigenous Businessmen Association not to be carried away by the endless polemics of the press. [passage omitted].

#### **Jakarta 'Ready' To Send Arms to Bosnia**

*BK2707102695 Jakarta ANTARA in Indonesian 0937 GMT 27 Jul 95*

[FBIS Translated Text] Jakarta, 27 Jul (ANTARA) — Defense and Security Minister Retired General Edi Sudrajat said Indonesia is ready to send arms to Bosnia-Herzegovina if the embargo imposed by the UN Security Council is lifted.

"We have demanded that the embargo be lifted. If the embargo is lifted, we will be able to give aid to Bosnia-Herzegovina," he told reporters after attending a ceremony where President Suharto commissioned 794 graduates of the Armed Forces of the Republic of Indonesia Academy at the Merdeka Palace on Thursday.

The defense and security minister said Indonesia is ready to help the Bosnian people because they are being massacred by the Serb forces.

Answering a question on the type of weapons to be sent, the defense and security minister said: "We will send what they need."

When asked on whether Indonesia needs to send a [words indistinct] team there to identify the type of aid for the Bosnian people, Edi said Indonesia pays attention to the needs of the Bosnian people.

Meanwhile, Armed Forces Commander General Feisal Tanjung said at the same venue that the Indonesian Government will study Bosnia-Herzegovina's request for arms.

"We will see the type of weapons they ask. Such weapons will not be simple," Feisal said.

#### **Foreign Minister Cautions Australia on Refugees**

*BK2607141695 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 26 Jul 95*

[FBIS Translated Text] Foreign Minister Ali Alatas hopes that Australia will not make any decision, which



will complicate things for that country in relation to the 18 East Timor boat people. Minister Alatas said the 18 people are not qualified for refugee status because they are neither persecuted nor harassed by any government.

Speaking in Jakarta today, Minister Alatas said international law stipulates that refugee or asylum status can only be granted to those who are in exile. Therefore, Australia should adhere to valid international law and should not make any legal interpretation which will make things difficult for that country itself later.

#### **Authorities Not To Obstruct Return**

*BK2607095195 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 26 Jul 95*

[FBIS Translated Text] Security authorities in East Timor do not want to obstruct the return of 18 East Timor youths or interrogate them upon their return after they fled to Darwin, Australia, by boat last May. Speaking in Dili during the visit to East Timor by Forestry Minister Jamaludin Suryohadikusumo, Colonel Mahidin Simbolon, commander of the Wiradharma 164th Military Area Command, stressed that the security authorities will not obstruct their return to East Timor. Col. Mahidin added that none of the 18 East Timor youths are blacklisted.

Earlier, Defense and Security Minister Edi Sudrajat expressed his regret over the Australian Government's decision to release the 18 East Timor youths from their detention center and allow them to settle in Australia.

#### **Thai Envoy Discusses Bilateral Ties at Seminar**

*BK2707101595 Jakarta MERDEKA in Indonesian 27 Jul 95 p 10*

[FBIS Translated Text] Jakarta, Wednesday, MERDEKA — Foreign investors, who have invested or want to invest in Indonesia, should not be worried about a political change in Indonesia because the country's economy is in the process of becoming more independent.

"The process is visible in the fact that Indonesia's economy is more open to foreign investors and various deregulation measures have been introduced," Thai Ambassador to Indonesia Kasit Phiromya told reporters in Jakarta on Wednesday (26 July) after attending a seminar entitled "Business Relations Between Indonesia and Thailand: Opportunities and Prospects."

"I am not worried about the political situation. All people must believe in Indonesia's ability. There is no problem as to whether or not its political system and situation will change. What is important is that its economic planning will not change," Phiromya said.

Phiromya delivered a lecture entitled "The Economies of Indonesia and Thailand: In an Atmosphere of Friendship" at the seminar attended by importers and exporters from the two countries.

He admitted that the political situation could influence the economic condition of a developing country to a small extent. Its impact will be slight due to the existence of other stronger and more important factors. "You have your five-year development plan and so do we," he stated.

According to him, Indonesia and Thailand can draw up economic planning in a more mature manner. Moreover, economic growth in the countries is stable thanks to mature economic planning," [quote as published] he said.

On the occasion, Phiromya cited the case of Thailand whose governments have changed hands over the past 10 years without affecting its economy.

"I think Indonesia will face a similar situation because you are opening your doors economically, wooing foreign investment, and deregulating the economy. I am confident that the policy will remain in the next 10 to 15 years," he said.

He said that Thailand has seen 10 different governments with different policies over the past 10 years and has had six foreign ministers over the past three years.

"How is the bureaucratic system in Indonesia?" a reporter asked.

"In this regard, Indonesia should conduct debureaucratization to improve government services and make the bureaucracy more efficient. There should be training courses at every agency, particularly at the higher levels. In addition, the bureaucracy must be restructured to better serve the business circles and people," Phiromya said.

The only concern expressed by the Thai ambassador is a lack of communication between the two countries, which has resulted in the business circles and peoples not knowing each other well. "I am just concerned about the people's awareness of available opportunities. We will talk about other things later. At present, we do not know each other well on the business front. Accordingly, we are holding this seminar," he said.

He said cooperation between the two countries in promoting their respective places is the main key to overcoming the problem.

#### **Don't Interfere**

When asked by reporters, economic expert Jisman Simanjuntak said Thailand has achieved economic sta-



bility because there has been no governmental intervention in the economy.

"In Thailand, the government does not interfere with the allocation of sources of funds. In addition, the Thai people have a much higher level of education and invest more than us," he said.

He said an important factor is that business circles isolate themselves from politics and there has been continuity in Thailand.

"Thailand adopts a pro-business policy. This is something that we must learn from them. Indeed, the political situation can influence economic conditions. However, there should be no coercive governmental intervention. Only economic incentives should be regulated," Jisman said.

Another economic observer, Mari Pangestu, who was met at the same place, said Thailand's economic success is inseparable from the consistent policy and attitude of the reigning king.

"Their king has created political stability. He also acts as a mediator. Thus, I see this as a Thai miracle. They change their government almost every year, but their economy has rarely been affected because there is a clear division," Mari stated.

#### **Editorial Views Vietnam's Membership in ASEAN**

*BK2707071595 Jakarta THE JAKARTA POST  
in English 26 Jul 95 p 4*

[Editorial: "A Larger ASEAN"]

[FBIS Transcribed Text] When ASEAN opens its door to Vietnam in its upcoming foreign ministers meeting in Bandar Seri Begawan, Brunei Darussalam, at the end of this week, something close to a black-on-white contrast will appear on the region's political landscape. Vietnam is a communist country and the present ASEAN members are anti-communist. Some of them even still bear deep scars inflicted the struggle against the followers of Marxism and Leninism. But Hanoi has long planned to join the club of Southeast Asia's newly rich, or semi-rich nations. For Hanoi, this move does not mean entering terra incognita. After all, Vietnam understands quite well that the ASEAN member countries have gained their economic success due to the fact that they maintain socio-political and economic systems that are different from the one Hanoi has.

With the clear and strong economic motive behind Vietnam's efforts in mind, we understand that this Indochinese country wants to reconstruct its war-torn

country and to develop healthy economic muscle, like its southern neighbors.

It appears clear that Vietnam is intent on learning how to move up, slowly and in a stable manner, from among the ranks of the poor countries in the world to those of the newly and rapidly developing nations, as the ASEAN member countries have over the last three decades. There is no doubt that Vietnam has the capacity to learn how to overcome its economic difficulties and achieve sustainable growth.

But obviously, this will not be easy. Vietnam as a whole and unified entity has never applied a liberal western economic system and the Marxist teachings which it has been practicing have plunged the country into seclusion and stagnated economy.

Being in the company of the countries of ASEAN, Hanoi could no doubt learn many things. But first it needs to push forward political reform to pave the way for a durable relationship with the ASEAN members. And in that relationship, flexibility on the part of Hanoi is an absolute must. After it has conducted its program of political reform, it must revamp its economic system.

Other steps will follow as Vietnam, perhaps with some confusion, watches ASEAN's steps toward reducing tariffs among member countries on most goods to between zero and five percent by the year 2003.

Only by learning well and quickly will Vietnam prevent itself from becoming a burden to ASEAN.

On the other hand, ASEAN could benefit from the Vietnamese membership. With Vietnam becoming a more developed country, this region is sure to become a stronger area and ASEAN is likely to become a more respectable regional grouping.

Many countries have been eager to establish good and profitable cooperation with Vietnam, which has great economic potential. ASEAN does not want to exploit Vietnam as a mere trade milk cow, but wants to accept it as a cooperative and equal partner. There are many fields that could be of advantage to all sides in a mutually beneficial relationship.

Ideologies can be put aside if both sides establish a way of working under a comprehensive economic system. And as many ASEAN countries have learned, the Vietnamese are first and foremost nationalists, and Marxists only after this. This understanding should provide a strong basis to pave the way for sound cooperation.

By opening their door to Vietnam — and eventually to other Indochinese countries such as Cambodia and Laos



— the countries of ASEAN will surely be able to share some valuable experiences.

### Thailand

#### Nation Wins Underwear Quota Dispute With U.S.

BK2607123195 Bangkok THE NATION in English  
26 Jul 95 p B1

[Report by Wichit Chaitrong]

[FBIS Transcribed Text] Thailand has emerged victorious from an underwear quota dispute with the United States brought before a trade settlement forum of the World Trade Organization (WTO).

Although underwear exports account for only a small portion of Thailand's exports, Thai officials said the victory is important to future negotiations on textile quotas with the United States.

After resolving the underwear quota problem, Thailand has decided to schedule further talks with the U.S. government in advance of other disputes.

Bunthipha Simasakun, deputy director-general of the Foreign Trade Department, said she will meet with U.S. representatives at WTO headquarters in the second week of August. Discussions will take place to prevent or limit U.S. quotas on other Thai textile exports.

Bunthipha said, "It was the first case ever brought before the Textiles Monitoring Body (TMB) of the WTO." The WTO began operations in January.

Another source said Thailand's victory has prompted other GATT members to study the case with interest.

Earlier, the U.S. had called upon Thailand, Honduras, Costa Rica and Turkey to negotiate underwear quotas by the end of March. The U.S. claimed that underwear imports from those four countries has caused serious damage to the U.S. industry.

To prevent injury to the U.S. industry, U.S. authorities said they would apply safeguard measures, in particular quota limitations.

Honduras, Costa Rica and Turkey all reached compromises with the United States, but Thailand pursued the case and won.

The TMB ruled that underwear imports from these countries did not cause serious damage because they represent a tiny portion of the U.S. underwear market. However, it noted the imports might become an threat in the future if they are increased.

Thailand insisted its underwear exports would not become a threat to the U.S. industry because it exported

only 1.5 million dozen pairs of underwear into a market of over 90 million dozen.

The TMB committee is comprised of representatives from the United States, Japan, the European Union, Canada, Norway, India, Pakistan, Brazil, South Korea and Indonesia, and is chaired by a representative from Hungary.

"We won the case. It means the United States cannot set specific quotas on underwear," Bunthipha said.

Under the Textiles and Clothing Agreement, a total textile and clothing quota has been set for exports. Bunthipha said the U.S. would not be able to again set a specific quota on a specific item.

The U.S. representative cited a contradiction in paragraph four of Article 6 of the Agreement. The paragraph stated that safeguard measures shall not be applied to the exports of any WTO member whose exports of a particular product are already under restraint under this agreement.

Because Thailand won this round, the precedent should automatically cancel the U.S. right to apply safeguard measures to other items in the future, she said.

Bunthipha added that Thailand was not the only country to raise the issue of the right to apply safeguard measures. Other WTO member countries will be watching closely for any attempt to limit import quotas that runs contrary to the recent ruling.

#### Processed Food Producers Boycott U.S. Products

BK2707095695 Bangkok SIAM POST in Thai  
27 Jul 95 p 19

[FBIS Translated Text] Bangkok — The Processed Food Producers' Association has declared a trade war against the United States by stopping the purchase of U.S. machinery and chemicals. Commerce Minister Chuchip Hansawat was requested to work out retaliatory measures.

Wanchai Somchit, president of the Processed Food Producers' Association, disclosed that representatives from various member processed food factories adopted a resolution during a recent meeting of the association to boycott U.S. machinery and chemicals for use in the food processing industry. The association has forwarded the resolution to Commerce Minister Chuchip Hansawat to map out retaliatory measures against the United States.

Earlier, the United States raised the import tax on canned pineapple from Thailand on the grounds that the dumping of low price products from Thailand had



caused damage to the U.S. canned pineapple industry. Subsequently, the association, with assistance from various foreign chambers of commerce, had to open new markets in Russia, Japan, East Europe, and Asian countries.

However, a tripartite committee [not further specified as published] met and instructed Thailand to send an appeal to the International Commercial Court of the United States within 30 days after the U.S. international trade commission announced the new tariff rates on Thai canned pineapple on 17 July. The appeal would request that the U.S. Department of Commerce change the unfair tariff rates imposed on Thai canned pineapple and grant a greater quota for Thai canned pineapple to compensate for the damage caused by the announcement.

The export of Thai canned pineapple to the United States was largely suspended during the past two months. Dole (Thailand) Company is the only company that continues supplying canned pineapple to the U.S. market but in minimal quantity. Products from Indonesia and the Philippines are filling the market share of Thai canned pineapple in the U.S. market.

#### **Telecommunications Firm Loses Vietnamese Contract**

BK2607133395 *Bangkok BANGKOK POST*  
in English 26 Jul 95 p 18

[FBIS Transcribed Text] Vietnam has notified Thai telecom firms doing business in the country that it has awarded Vietnam's second telecom licence to its Defence Ministry.

That licence is meant to serve military telecom services and Vietnam will not allow any joint ventures with foreign investors.

Arak Chonlatanon, president of Chinnawat International Co Ltd (INT), a foreign investment arm of Chinnawat Group, said INT had received the Vietnamese official notice.

He said the notice explained that the second licence would be operated solely by the Defence Ministry which would use the telecom service for military purposes only.

The Vietnamese government would not allow private investors to be operators for this service, though they would be permitted to invest in the telecom manufacturing plant, Mr. Arak said, adding that it was not worth investing in the plant if the company could not become an operator.

#### **Chinnawat Suspends Investment Plans in Vietnam**

BK2707090895 *Bangkok BUSINESS DAY* in English  
27 Jul 95 p 1

[Report by Charuwan Ngamman]

[FBIS Transcribed Text] Telecommunications conglomerate Chinnawat International is freezing its investment planning in Vietnam until the government awards it a Business Co-operation Contract (BCC) president Arak Chonlatanon said yesterday.

Even if a BCC was issued to the company, Mr Arak said Chinnawat was not interested in securing permission for trial projects, which he described as "idle investments".

A BCC is essential for a foreign business investing in the country.

"We are involved in providing services to make a profit and to get a return on our investment," said Mr Arak.

Trial period conditions state that foreign investors may not repatriate their profits.

To date Vietnam Post and Telegraph (VNPT) — which has a monopoly on the country's telecom industry — has awarded only trial contracts to foreign investors, Mr Arak said.

He pointed out that even businesses which operated trial contracts were not guaranteed a BCC.

The Chinnawat president said that Singapore Telecom, which has a contract to provide Phonelink paging services, had failed to secure a BCC after three years of trial operations.

Further Mr Arak said that the VNPT had informed Chinnawat three days ago that no licenses would be issued for any telecom services currently operated by VNPT.

The VNPT statement said that it would not allow foreign investors to install and provide telecommunications services as an operator, Mr Arak claimed.

He did not make clear what implications this would have for Chinnawat's plans in Vietnam or whether the alleged ban had influenced the firm's decision to freeze investment planning.

Mr. Arak played down the significance of a telecom deal between foreign consortium, NewTel, and a Ministry of Defense (MOD) subsidiary, Sigelco.

According to Dr Adisai Photharamik the chairman of NewTel member Jasmine International, a deal signed on July 3 permitted investors to operate telecom businesses in Vietnam.



But Mr Arak said the deal only allowed for foreign involvement in telecom equipment manufacture, not the provision of services.

Vietnam last week granted Sigelco a license to provide domestic and international telecommunication services. On July 3 Sigelco signed a manufacturing joint venture contract with NewTel, Dr Adisai has said.

NewTel's other members consist of several financial and construction firms: Goldman Sachs, One Holding, Nikko Securities, Italian-Thai Development and CKDS Thailand.

#### **University Officials Explain Suu Kyi Invitation**

*BK2707082695 Bangkok THAILAND TIMES  
in English 27 Jul 95 p A3*

[FBIS Transcribed Text] Bangkok — Thammasat University's invitation to Burmese pro-democracy leader Aung San Suu Kyi to receive a honorary degree in Thailand was not aimed to challenge the current government of Burma, a senior lecturer said yesterday.

Deputy Rector of Thammasat Anek Laothammathat said due to the changing world situation, the university council of Thammasat decided to invite Suu Kyi to Thailand to receive an honorary degree during a seminar about peace issues.

He added the university council's decision to confer the degree to Suu Kyi was first made in 1991 when Burma's government, the State Law and Order Restoration Council, was holding her under house arrest.

Now that Suu Kyi has been released, Thammasat University will grant her an honorary doctorate degree in the field of Political Science during the seminar on August 16-17, 1995.

Senate member Suwit Chantharapradit said Suu Kyi has the right to come to Thailand to receive the degree, but the Thai government might have to make a delicate decision based on the tensions between Burma and Thailand.

However, Suwit said he believed the military will not become involved in the issue, and Suu Kyi being invited to Thailand would not affect relations between the two countries.

#### **University Invitation to Suu Kyi Irks Military**

*BK2707055895 Bangkok THE NATION in English  
27 Jul 95 p A2*

[FBIS Transcribed Text] Thai military leaders have warned against a possible backlash by the Burmese junta regarding Thammasat University's invitation to

Burma's opposition leader Aung San Suu Kyi to receive an honorary doctorate degree.

Both Navy Commander-in-Chief Adm [Admiral] Prachet Siridet and Army Assistant Chief Gen [General] Chettha Thanacharo have voiced their opposition to Suu Kyi's visit, saying the trip could affect national interests and bilateral Thai-Burmese relations.

Chettha has called for a "thorough extensive discussion and consultation" on the issue, arguing that the Thai government should maintain its "friendly ties" with the Burmese junta, known as the State Law and Order Restoration Council (SLORC), which continues to govern the country.

He described Suu Kyi, the 1991 Nobel Peace Prize laureate, "as just an ordinary person" whom the Thai military had no significant relations or connection with.

"As a close neighbour of Burma, Thailand, which invests and trades heavily with the country, should maintain friendly relations with the government that still governs the country," the deputy Army chief said.

"There should be thorough consultative discussions on the matter because this (Suu Kyi's visit) is an important issue that would draw international attention. Any move has to be planned very carefully so that there would not be any problems," he said.

In a separate interview, Prachet said he learned that SLORC "is unhappy" with Thammasat University's decision to invite Suu Kyi here to receive the honorary degree in political science.

He said the university should "carefully" consider the issue because the trip could affect bilateral Thai-Burmese relations.

"As far as I know, the Burmese government is unhappy with the invitation and would feel uncomfortable if the Thai government gave the visit a green light. The move could affect relations between the two governments," he said.

Prachet cautioned the government against allowing the visit to proceed and called for a reconsideration, arguing that Thai "national interest could be affected".

"I can't say whether it (the impact on national interests) would be positive or negative," he said.

"The decision to invite Aung San Suu Kyi here must be considered carefully, taking into account the country's national interest and the impact it may have on future relations between the two governments."

But former foreign minister Surin Phitsuwan said yesterday that Thailand has the right to invite Suu Kyi, but



expressed doubts if she would be interested in accepting it.

Surin, who often called for closer relations with SLORC during his ministerial tenure, has warned that Thailand should take a cautious step not to exceed the limit that would affect the Burmese leadership and the relationship between the two countries.

"Thai foreign policy has always been supportive towards human rights but, practically, we should not intervene with our neighbour's internal affairs," he said.

Thammasat University Council, after consultation with the Foreign Ministry, had early this week renewed its 1991 decision to invite Suu Kyi, who was released on July 10 after almost six years of house arrest, here to receive the honorary certificate. The institute's announcement has drawn both support and opposition from both private and government circles.

Former defence minister Gen Wichit Sukmak did not express his position on the visit but called for a study to find out the university's real motives behind the invitation.

He said Suu Kyi was an internal political affair of Burma and that any public expressions of opinion or action taken here could either be fruitful or backfire on Thailand.

#### **Burmese Refugees in Border Camps Top 160,000**

*BK2707062495 Bangkok THE NATION in English  
27 Jul 95 p A9*

[FBIS Transcribed Text] The number of Burmese refugees on Thai soil has now reached 160,000 but Burma's military attacks against various ethnic minority factions has not affected Thailand's security, a top security official said yesterday.

Gen [General] Charan Kunlawanit, National Security Council secretary general, said that since the Burmese government adopted its aggressive action against ethnic armed guerrillas along the Thai-Burma border, the number of refugees flooding into Thailand has doubled from 80,000 to 160,000 in 22 refugee camps in Mae Hong Son, Tak and Chiang Rai Provinces.

He said he hoped that the refugees would begin returning to Burma now that the situation there was likely to improve since the release of Aung San Suu Kyi.

The number of illegal migrants from Burma found in the North since the beginning of this year was approaching 300,000-400,000, Charan said. An average of 200 illegal migrants of Chinese descent were also recorded by immigrations each month.

Charan admitted that there were some Thai border officials who accepted bribes which has exacerbated security and the problem of curbing the arrival of cheap illegal labour.

Meanwhile, Mr Wallace, chairman of the Karen Refugees Committee, said that the number of Karen refugees had increased from 50,000 to 120,000 since the end of last year.

#### **Banhan Presents Government Policy Statement**

*BK2607144895 Bangkok Thai Color Television  
Channel 9 in Thai 0305 GMT 26 Jul 95*

["Government Policy Statement" delivered by Prime Minister Banhan Sinlapa-acha at the National Assembly in Bangkok — live, passages in italics in English]

[FBIS Translated Text] Mr. President and distinguished members of the National Assembly: In accordance with the royal decree dated 13 July 1995 appointing me as prime minister and the royal decree dated 18 July 1995 appointing the cabinet, the cabinet has set its policy for administering the country. I will now inform you of this cabinet's determination, policies, and goals for its administration of the country's affairs.

In the past, national development efforts were mainly targeted at economic achievement with the belief that economic development would bring a better quality of life to the people. Despite remarkable success in terms of economic expansion, economic development has also generated numerous problems such as the widening of the income gap, depletion of natural resources, deterioration of the natural environment, social predicaments, excessive materialism, deterioration of morality and the abandonment of fine Thai values, change in family structures, and juvenile delinquency. In short, the development of the country has caused the destruction of the good living environment and various problems leading to the constant degradation of the quality of life in society.

It is this cabinet's principle in its administration of the country's affairs to strive for the well-being of the people in society so they will be physically and mentally fit and intelligent enough to compete in today's world without sacrificing the Thai national identity. The government's 10-point policy is, therefore, designed to develop fully the potential and wisdom of the people, enabling them to participate in national development and develop a sense of responsibility toward society and the environment. It is a comprehensive and well-balanced development policy.

#### **1. Political and Administrative Policy**



The government is determined to uphold and preserve national institutions, religion, the monarchy, and the democratic administrative system with the king as head of state; safeguard national independence and territorial integrity; develop and strengthen political institutions; encourage the people to participate in politics at all levels; effectively administer the country's affairs on the principles of righteousness, national reconciliation, and fine Thai values; and strive to achieve well-being and prosperity for the people. By so doing, the government will:

1.1. Develop political institutions and set a political development plan.

1.1.1. Draw up a political development plan in conformity with state policy and the democratic administrative system with the king as head of state to facilitate the implementation of political reform that allows the people to participate in the administration of the country's affairs and in political oversight.

1.1.2. Support the amendment of Article 211 of the present Constitution of the Kingdom of Thailand based on the suggestions made by the Democratic Development Committee and other democratic organizations.

1.1.3. Support the National Assembly in carrying out its legislative duty and acting as an effective mechanism to check the performance of the administrative branch.

1.1.4. Encourage the general public, nongovernmental organizations, and the mass media to participate in the implementation of the political development plan.

1.2. Amend the law.

Expediently abrogate and amend obsolete laws unsuitable for the current situation, especially legislation that is detrimental to people's rights and freedoms, unconstitutional, or obstructive to the administration of the country and the rendering of good services to the people.

1.3. Promote political ideals.

Promote and support educational institutions at all levels and all branches of the mass media and nongovernmental organizations to play a role in disseminating and implanting knowledge of and confidence in the contents and mechanism of the democratic administrative system with the king as head of state and the democratic way of life.

1.4. Administer the country's affairs.

1.4.1. Modernize and improve the efficiency of the bureaucratic administration at the central, regional, and local levels by revising the structure of ministries, de-

partments, and other state agencies to ensure compactness and suitability; develop the working systems and processes of state agencies to eliminate unnecessary repetition of work; readjust the procedure and time requirements involved in issuing official permits and the authority of the officials concerned and inform the people concerned about the said procedures and time requirements; and prevent and eliminate discrimination and bribery among state officials, in particular those whose duty is to render services to the people.

1.4.2. Prevent and suppress corruption and malfeasance in government circles and state agencies through the development and strengthening of agencies in charge of the prevention and suppression of corruption and malfeasance; introduce internal auditing systems in state agencies; promote morality, etiquette, and discipline among state officials; give moral support to state officials in the form of promotions based on merit; provide access for the people, nongovernmental organizations, and the mass media to examine the performance of state officials.

1.4.3. Readjust the salaries, welfare, and fringe benefits of government officials, tambon and village heads, and employees of state agencies in line with the current cost of living so they can live in society with dignity and economic stability.

1.5. Administer justice.

1.5.1. Create social justice through impartial and nondiscriminatory law enforcement and promote adherence to the principles of correctness and law.

1.5.2. Improve procedures for the administration of justice by the administrative, civil, and criminal courts to ensure speed, effectiveness, and impartiality and modernize the judicial institutions and arbitration bodies.

1.6. Decentralize administrative power.

1.6.1. Transfer more tasks in connection with the people's livelihood from state agencies to local administrative organizations so that people are allowed to participate in administrative works and efforts to solve problems such as traffic congestion and environmental deterioration in their localities, as these problems also have an impact on the development of the country as a whole.

1.6.2. Systematically increase the revenue of local administrative organizations to ensure higher efficiency and improve laws and regulations to secure the independent performance of their duties.

1.6.3. Organize the election of executives of local administrative organizations at all levels by placing emphasis on the role of village and tambon heads



as coordinators for administrative organizations at the regional, local, and village levels so as to maintain harmony among the people in the country.

1.6.4. Allow local administrative organizations to work independently and possess the authority to draw their own policies governing administrative undertakings, development and management of natural resources and the environment, and city planning.

1.6.5. Support local administrative organizations at all levels in performing their duties to serve the interests of the people effectively.

1.7. Maintain peace and order and the security of the people's lives and property.

1.7.1. Actively prevent and suppress all types of crime through the provision of the necessary equipment; promote public relations work and educate the people, nongovernmental organizations, tambon and village heads, and volunteer groups in crime prevention; and expeditiously suppress narcotics production and all sources of crime.

1.7.2. Develop disaster and accident prevention and relief systems to ensure timely and effective rescue operations by improving the efficiency of the agencies concerned in terms of tools and equipment; cooperation between nongovernmental organizations and state agencies; campaigns to raise preventive consciousness among students, pedestrians, workers, and those in other risk groups.

1.8. Encourage popular participation.

1.8.1. Promote the dissemination of reports on the undertakings of the state and state officials within the legal framework, the rights and freedoms of expression, and correct and speedy information.

1.8.2. Promote the expression of opinions regarding the country's major problems as well as public debates and hearings to provide recommendations for the government to use in performing its duty.

## 2. National Security Policy

The Government is determined to develop, strengthen, and modernize the armed forces to make them efficient and responsive to the changing world situation by:

2.1. Developing the operational efficiency of the armed forces so they can perform their duty with dignity and due military honor as stipulated in the Constitution, taking as their top priority the defense of the interests of the country and people.

2.2. Providing the armed forces the manpower, technology, and equipment necessary for combat in mod-

ern warfare and promoting military research programs aimed at achieving self-sufficiency in the future.

2.3. Encouraging the armed forces to cooperate with other state agencies in developing the country to bring about the people's well-being, particularly in solving the problem of poverty, and under the democratic administrative system making the people acknowledge and be more informed about military affairs.

2.4. Promoting the role of the Thai military in the United Nations and in relations with the armed forces of neighboring and friendly countries.

2.5. Improving welfare and morale programs for military personnel of all ranks and their families and promoting military sports activities to contribute to the country's sports supremacy.

2.6. Holding aloft the honor of war veterans, especially the disabled, by providing them with good care, privileges, and public sympathy.

## 3. Foreign Policy

The government is determined to implement an independent foreign policy; remain friendly to all countries; adjust and promote relations and cooperation with foreign countries in the political, economic, social, technical, and cultural fields on the basis of national interests, the principle of peaceful coexistence, and the prosperity of the world community; upgrade Thailand's image to a realistic and suitable level; and propagate the image of the country as a competent, enthusiastic, and responsible nation. In so doing, the government will:

3.1. Promote cooperation and relations — both bilateral and multilateral — in the economic, social, cultural, educational, technical, human resource development, and environmental protection fields.

3.2. Increase relations with neighboring Southeast Asian countries, especially those bordering Thailand, to develop cooperation to solve problems and promote peaceful coexistence through regular contacts between the state agencies, private sectors, nongovernmental organizations, and armed forces of countries in the region.

3.3. Increase participation in international organizations such as the United Nations, World Trade Organization, regional economic organizations, and groups of developing countries to upgrade the country's role and status in international politics.

3.4. Implement policies that will facilitate the country's efforts to gain the maximum benefit from the new trade order at both the regional and global level as well as organizations such as the World Trade Organization; *Asia-Pacific Economic Cooperation, APEC*;



*ASEAN Free Trade Area, AFTA*; and other economic cooperation areas linking Southeast Asia with other regions for our mutual interest and the stability and prosperity of neighboring countries.

3.5. Support the ASEAN meeting on political and security cooperation in the Asia-Pacific region — *ASEAN Regional Forum, ARF* — and play an important role in implementing its diplomatic policies to promote peace and stability in Southeast Asia.

3.6. Adjust the role of the Ministry of Foreign Affairs to place heavier emphasis on economic issues to support trade talks, investment, exports, and foreign investment and tourism promotion and support and defend the interests of Thai investors and Thai nationals in foreign countries.

3.7. Switch from being a recipient to a provider of assistance to neighboring countries.

3.8. Play a leading role in maintaining good relations with all countries in the Southeast Asian region by emphasizing the country's image as a democratic state that adheres to righteousness and justice, recognizes human rights, and protects the ecological balance.

#### 4. Economic Policy

##### 4.1 Monetary and Fiscal Policy

The government is determined to strengthen the country's economic stability and strength, maintain monetary and fiscal discipline, mobilize domestic savings, and promote financial liberalization within an appropriate period of time and in line with the development of other economic sectors, develop and internationalize the stock market and distribute monetary and fiscal power to the local administrative organizations.

4.1.1 Keep the inflation rate at an appropriate level in conformity with economic growth and conditions.

4.1.2 Make serious efforts to mobilize domestic savings, in particular household savings and other forms of savings such as retirement and provident funds.

4.1.3 Maintain the exchange rate at an appropriate level conducive to the strengthening of the country's economic stability and competitiveness.

4.1.4 Turn Thailand into the financial hub of the region through financial liberalization.

4.1.5 Cease collecting tax on interest earned from savings for housing, educational, and retirement purposes.

4.1.6 Develop the stock market in breadth and depth to international standards by providing access for enterprises in Bangkok and provinces and those moving their production bases to the country to register with the

Stock Exchange of Thailand to mobilize funds, promote contacts between the Thai and foreign capital markets, especially those in neighboring countries, and to develop debt and capital instruments to provide diversity of choice for capital mobilization.

4.1.7 Distribute fiscal power to local administrative organizations so as to enable them to earn revenue sufficient for effective operation.

4.1.8 Improve the management of the country's budget spending procedures to ensure the fulfillment of the budgetary plan and its effectiveness.

4.1.9 Encourage the private sector to participate in the development and management of infrastructure projects and public facilities.

4.1.10 Introduce monetary and financial measures to encourage Thai investors to participate in economic development in neighboring countries.

##### 4.2 Agricultural Policy

The government is determined to develop and improve the potential and livelihood of farmers, enhance the agricultural sector's competitiveness in foreign markets through higher productivity and lower production cost, use economic cooperation with foreign countries to open new markets for agricultural products, develop agricultural industries, and increase crop prices and farmers' income through the reduction of production costs, development of water sources for agriculture, and solving the problem of indebtedness of farmers. In so doing, the government will:

4.2.1 Increase crop prices to a fair level for farmers through the expansion of foreign markets which are being liberalized under the international economic cooperation agreement and to support the setting up of the agricultural futures market.

4.2.2 Encourage farmers to grow economic crops of high marketability, in particular crops for export-oriented processing industries.

4.2.3 Enable farmers to obtain production necessities such as fertilizer, chemicals, and pesticides at low prices that will, in turn, increase their competitiveness.

4.2.4 Provide water for agriculture and daily consumption through the development of natural water sources and to build water storage facilities such as reservoirs as deemed necessary and appropriate and cooperate with neighboring countries in the exploitation of water from international sources as well as develop irrigation systems and improve the effectiveness of the water utilization management system.



4.2.5 Support the growth of the agricultural sector at the same level as other economic sectors through the promotion of the use of machinery and appropriate equipment to increase its productivity; reduce the import duties imposed on machinery, tools, and other related equipment; and promote study and research programs aimed at improving the quality of agricultural products and the application of appropriate technologies for raising productivity.

4.2.6 Encourage agricultural institutions to play a more active role in the production and marketing of agricultural products.

4.2.7 Encourage the private sector to cooperate with the government in investment in agricultural development of all forms.

4.2.8 Develop and improve the mechanism of the cooperative system and other forms of farmer groupings and to emphasize the increase of their working capital.

4.2.9 Solve the problem of farmers' indebtedness through the extensive and impartial provision of low-interest loans and to improve the efficiency of loan management.

4.2.10 Expedite the implementation of the land reform scheme for impoverished and landless farmers in line with the Agricultural Land Reform Law.

4.2.11 Expeditiously solve the problem of illegal possession of state-owned land in conformity with the principle of justice and law while upholding the right of communities to manage natural resources in the localities.

4.2.12 Support non-government organizations in implementing projects designed to generate supplementary income for farming families in rural areas.

#### **4.3 Industry Policy**

The government is determined to maintain and develop the competitiveness of Thai industries in the world market through the increase in productivity competence and efficiency together with the protection of the natural environment, the spread of investments to rural areas, the expansion of public facilities, and emphasis on private sector role in industrial development. By so doing, the government will:

4.3.1 Support and promote the transfer of more industries to rural areas through the establishment of industrial estates and industrial zones and various forms of incentives to create more jobs and generate income for the people in rural areas.

4.3.2 Support and promote investment of all sizes of industries, in particular small and medium-size industries,

as well as cottage industries in communities in major cities.

4.3.3 Fully support the investment in industries with high economic potential such as agro-processing industries, industries which require the use of high technology, tourism, and export-oriented industries so that they can become the major sources of employment and income of the country.

4.3.4 Develop and upgrade the competitiveness of major export-oriented industries to maintain the country's world market share through the development of labor skills, marketing, productivity, quality, and product design, etc.

4.3.5 Expedite the development of basic public facilities as required for industrial development in the country.

4.3.6 Improve rules and regulations to reduce the process involved in the application for official permits in order to achieve speed and to relieve investor burden.

4.3.7 Promote and develop related industries to supplement the potential of the country's major industries.

4.3.8 Keep under control industrial pollution and so maintain normal environmental conditions through the strict enforcement of related laws.

#### **4.4 International Economic Policy**

The government is determined to defend and enhance both the short- and long-term economic interests of the country through the promotion of trade, investment, tourism, and transfer of technology as well as economic cooperation with all countries on the basis of international obligations and in conformity with the changing world situation. In so doing, the government will:

4.4.1 Enhance Thailand's competitiveness by:

4.4.1.1 Promoting the free economic system to increase the country's productivity and marketing competence while applying clear and specific remedial measures to help the affected economic sectors.

4.4.1.2 Adjusting the tax structure and eliminate obstacles to trade and investment through the reduction of customs tariffs collection system to lower production cost and promote exports.

4.4.1.3 Promoting the services sectors that are important to trade and investment such as shipping, the Thai maritime fleets, and insurance.

4.4.2 Implementing the trade and investment policy in the direction of reducing the current account deficit, in particular through the promotion of highly value-added export businesses and development of tourism and services sectors.



4.4.3 Seeking new markets and capital sources to enhance the country's economic prospects.

4.4.4 Enhancing the country's prominent role in the international economic arena to safeguard national interests and upgrade the people's living conditions. In so doing, the government will:

4.4.4.1 Establish a unified agency to handle the international economic policy and coordinate with other government agencies in conducting trade and investment negotiations with foreign countries.

4.4.4.2 Strengthen cooperation with other ASEAN and APEC members to increase the country's role in the international economic arena.

4.4.4.3 Develop Thailand to turn it into the center of production, trade, finance, telecommunications, and communications in Southeast Asia.

4.4.4.4 Promote and increase foreign investment in the country, support Thai industrial and services investment abroad, and defend the interests of Thai investors and workers in foreign countries through diplomatic, legal, monetary, and financial maneuvers and the establishment of agencies in charge as deemed necessary.

#### 4.5 Telecommunication and Communications Policy

The Government is determined to thoroughly expand the land, waterways and air communications networks by laying emphasis on the communications infrastructure, develop and utilize more equipment to modernize the telecommunication system and lower its service charges by laying emphasis on the operating and managing roles of the private sector under the free competition system. By so doing, the government will:

##### 4.5.1 Land Communications

4.5.1.1 Develop, improve, and expand the highway network and transportation routes between Bangkok and provinces and between provinces nationwide. Expedite the construction of the inter-regional highways from four-lane to six-lane traffic route and inter-provincial highways which are now heavily congested from two-lane to four-lane traffic route within four years.

4.5.1.2 Construct double-rail tracks for major railway routes and use high-speed trains on the routes as deemed appropriate.

4.5.1.3 Expedite the construction of car and train communication networks to link them with those in neighboring countries. The networks will be linked with southern China, the Union of Burma, and the Lao People's Democratic Republic [LPDR] in the north, the LPDR, Socialist Republic of Vietnam, and Cambodia in the northeast, and Malaysia in the south.

##### 4.5.2 Air Communications

4.5.2.1 Expedite the construction of Bangkok's second international airport at Nong Nguhao while developing and improving the efficiency of domestic and international airports in the country to ensure conveniences, speed, and safety for travelers and to build more airports as deemed appropriate.

4.5.2.2 Promote and support the setting up of more airlines and national airlines and expedite the construction of the repair center for big aircraft and an international aviation center.

##### 4.5.3 Waterway Communications

4.5.3.1 Expedite the full utilization of the deep seaport in the eastern seaboard development zone and a feasibility study on the construction of deep seaports in the south and other suitable areas such as along the western coast and to cooperate with neighboring countries in investment and operation of deep seaports.

4.5.3.2 Rearrange waterways traffic and transportation systems to reduce production cost and alleviate land traffic congestion and to apply effective safety measures.

##### 4.5.4 Telecommunications

4.5.4.1 Develop, improve, and expand telecommunication services to serve the people nationwide through the utilization of modern equipment with lower service charges and, in particular, expedite the construction of telephone exchange stations in all districts and all tambons [cluster of villages] if possible including the installation of telephones in every village in the country.

4.5.4.2 Encourage the utilization of the advanced telecommunication systems for national defense as well as economic purposes.

#### 4.6 Energy Policy

The government is determined to provide sufficient energy [for domestic consumption] at reasonable prices and to support the private sector participation in this regard. In so doing, the government will:

4.6.1 Promote the economical and effective use of energy both in households and industries, support the production of energy-saving appliance, and launch energy conservation campaigns in accordance with the law on the promotion of energy conservation and creation of energy-saving consciousness.

4.6.2 Provide sufficient and reliable amount of energy at reasonable prices, explore and develop sources of energy in the country, and develop energy managerial efficiency of state agencies concerned.



4.6.3 Conduct the study of other sources of energy substitutes for the future and promote cooperation with neighboring countries in energy development and procurement.

4.6.4 Improve and develop the fuel oil transport system by using pipeline system to reduce transportation costs and to bring retail oil prices to the same level nationwide.

#### 4.7 Tourism Policy

The government is determined to promote and develop the tourist industry so as to increase the country's revenue while safeguarding the arts, culture, and natural resources valuable to the industry. In so doing, the government will:

4.7.1 Promote investment in tourism and related industries, especially the hotel business, and the development of the quality of tourist services to ensure competitiveness with foreign countries.

4.7.2 Develop tourist destinations in the right proportion with the increase in the number of tourists, ensure conveniences and safety for tourists through the development and improvement of basic facilities and services, preserve and promote the arts, culture, and ancient shrines, and natural resources that are tourist destinations, protect tourists from exploitation by entrepreneurs to prevent the country from acquiring a negative image.

4.7.3 Promote cooperation in tourist industry among countries in the region so as to create a tourist industry network in the region with Thailand as its center.

4.7.4 Promote domestic tourism among the people in the country.

4.7.5 Increase the production of personnel to serve in the tourist industry to meet the requirement of the market in terms of both quantity and quality.

#### 5. Social Policy

5.1. Conservation of Thai culture and protection of religion.

The government will promote the conservation of Thai culture and protect and promote religion, with stress on religious teaching. It will promote indigenous arts and wisdom and promote the conservation of historic localities.

5.1.1. It will work to strengthen family institutions. There will be incentives for businesses serving families; for example, through the reduction of taxes and fees.

5.1.2. It will promote indigenous wisdom and recognize it as a major contributor to the process of national development.

5.1.3. It will encourage indigenous arts such as Thai painting, drawing, and sculpture; Thai folk art and entertainment such as shadow plays, mask dance, folk singing, and folk dancing; and sports culture in the forms of Kolae regatta, long tail boat racing, and martial arts for self-defense. The government will provide a budget to support artists to enable them to survive while working to preserve national culture.

5.1.4. The government will promote the conservation of major historical sites, especially those regarded internationally as part of the world's heritage. It will provide a budget for the repair and renovation of these places to make them tourist attractions. The private sector, both international and domestic, will be encouraged to contribute; for example, by setting up mutual funds for the conservation of historical places and monuments. Historical towns will be preserved and new construction will be controlled to prevent the original architecture from being distorted.

5.1.5. The government will promote the activities of religious institutions and encourage the public to pay more attention to the essence of religion rather than building amulets or material symbols. The public should be directly educated to understand religious teachings and morality so they can apply them in daily life and contribute to a peaceful society.

5.2. Policy regarding women, children, youth, and the underprivileged.

The government will improve the status of women, children, and youth and look after the underprivileged so they can live properly in society. It will:

5.2.1. Encourage legislation to support constitutional provisions on equal rights for men and women and work to amend laws and regulations that are discriminatory.

5.2.2. Encourage women's participation in national economic, social, and political development and their role in making national decisions.

5.2.3. Strictly monitor measures for the protection and welfare of women to prevent them from being exploited and prevent prostitution by women and minors.

5.2.4. Promote justice for female workers in terms of wages and welfare benefits, especially those outside the system.

5.2.5. Provide training in vocational skills for women upcountry based on the economic and social conditions in each locality.



5.2.6. Encourage cooperation between the government and private sector to promote physical, mental, intellectual, and moral development in children.

5.2.7. Promote the formation of youth camps and youth groups and develop youth centers to serve in strengthening the potential of youths. Improve public libraries at all levels and upgrade sports stadiums for use by children and youths.

5.2.8. Promote the role of family institutions, government agencies, private associations, public and religious organizations, and the mass media in assisting needy children and youths and helping them solve problems. The government will work seriously to solve the problem of child labor and prostitution.

5.2.9. Provide education and vocational and skills training for the underprivileged, the disabled, and the like so they can live independently and with pride.

### 5.3 Public Health Policy

The government will expand public health services to all people, stressing the prevention of illness and the promotion of good health. It will encourage private sector participation in providing public health services. The following are the measures to achieve that aim:

5.3.1 Speed up the expansion of primary health care in rural areas.

5.3.2 Support the establishment of a health insurance system, especially for the aged, disabled, poor, and underprivileged so that they can have access to medical facilities.

5.3.3. Provide information and understanding to the public about the danger of AIDS. Provide information and understanding to AIDS infected victims so that they can live normally in society.

5.3.4 Support projects organized by the government and private sector for the treatment and rehabilitation of drug addicts in order to enable them return to society as useful elements.

5.3.5 Check and control environmental pollution to prevent hazards to the people.

5.3.6 Implement policies on garbage and waste water treatment at public health centers, both state and private. Arrange for clean water for the consumption of people in rural areas.

5.3.7 Step up consumer protection measures to control substandard food or medical products that are hazardous to consumers.

5.3.8. Encourage the production and development of health officials and medical personnel in terms of quality

as well as quantity. Introduce new medical technology and modern health care techniques in the country.

5.3.9 Support, through tax incentives, the opening of day-care nurseries that are up to standard.

5.3.10 Provide knowledge and information to the people about individual health care.

### 5.4 Labor and Social Welfare Policy

The government will promote the development of skill and knowhow for workers. They will be provided with a social security system, and adequate safety standards at work. The government supports the formation of trade unions for labor relations and labor protection. It will lay down adequate regulations for the control of foreign labor in the country. The following are measures to be taken.

5.4.1 Promote vocational training and skills development for workers, the underprivileged and those disabled by work. They will be provided with short training courses during rehabilitation. With cooperation from the private sector, the government will set up vocational training institutes especially in fields where demand is high.

5.4.2 The government will promote labor relations, labor protection, and safety standards at work. This will in turn help promote smooth relations between the employers and employees and enable labor conflicts or disputes to be successfully resolved. The government will see to it that workers are provided with an up to standard social welfare system and that their working environment is adequate.

5.4.3 The government supports full freedom and protection for workers in setting up trade unions. It will amend legislation related to state enterprise workers in order that they enjoy adequate rights and responsibilities under international norms of democracy. Amendments will be based on the situation at the moment and in keeping with the policy on economic and social development to enhance national security. Workers are banned from striking if they are in public utility services.

5.4.4 The government will promote assistance and care for the elderly, disabled, underprivileged, and those discriminated against by society by setting up welfare centers and introducing social welfare bills.

5.4.5 As another incentive for workers, the government will set up labor information and welfare centers to provide information on job opportunities and to compile a census of workers.

5.4.6 It will do research and compile data on foreigners working in Thailand to plan adequate measures to cope with the problem.



### **5.5 Sports Policy**

The government will promote sports as a means to achieve good health for all people, and will encourage the development of sports to upgrade standards and achieve preeminence.

5.5.1 The government will allocate budgets to subsidize sports activities and encourage private sector participation as promoters or managers of sports tournaments or events for amateurs or professionals, or just to promote good health. It will promote sports in all regions of the country.

5.5.2 Athletes who bring fame to the country or who join any national team in competitions should be given encouragement and support. They should be provided with a better standard of living.

5.5.3 People should be encouraged to take up sports from a very young age. Local manufacturers of sports equipment should be given incentives to produce standard quality but cheap goods. There should be sports centers of international standard for training and the encampment of athletes.

### **6. Education Policy**

The government is determined to develop human resources for the reason that it is the central to all kinds of development. It will expand basic compulsory education and other necessary welfare. Local administrations will be allowed to participate in the management of education in a way that suits the surroundings, way of life, and living conditions of the people in the region. It will use modern technology to promote non-formal education so that education will be expanded widely even to remote areas. It will improve welfare for teachers and educational personnel at all levels. In so doing, the government will:

6.1 Expand educational opportunities for children to develop their readiness in every aspect before studying at the primary education level.

6.2 Extensively expand the period of compulsory education from six to eight years in order to approach the set target of 12 years as quickly as possible. Students will be provided with educational and other necessary facilities.

6.3 Provide scholarships and credit funds for needy students to enable them to afford higher education.

6.4 Accelerate the production of sufficient quantity of quality personnel in the occupational fields of which the country is short of but are significant for future national development, such as in science, medicine, engineering, and computer science. College-level and vocational education institutes will be encouraged to

upgrade their ability to produce teaching personnel, and improve study courses and learning and teaching processes. They will also be encouraged to cooperate with foreign academic institutes for the exchange and transfer of technology.

6.5 Promote college-level institutes to carry out more research and development projects that are wider in scope with an emphasis on applying their results to reality, economically and socially.

6.6 Push for the improvement of study curriculums, and learning and teaching processes to correspond with changes in the modern world, with emphasis placed on developing skills, thinking, and analysis, learning from experiences and reality. All these are to be simultaneously done with the enhancement of virtues and ethics.

6.7 Promote and support more non-formal education with the help of remote-site teaching media and technology, travelling teachers, construction of animal museums, renovation of historical museums, construction of historical parks, etc.

6.8 Promote the decentralization of educational-administrative power by encouraging the greater role of local administrations in the administration and management of education at the level and category suitable for the environment and living conditions of the people in the region.

6.9 Promote and encourage participation by community organizations, private operation institutes, and guardian organizations in education management.

6.10 Encourage the underprivileged and physically handicapped by providing more opportunities for study and attendance at occupational training courses so that they will be able to depend on themselves.

6.11 Improve the flexibility of administrative system in state-owned college-level institutes so that they will be able to administer freely and effectively to achieve academic excellence.

6.12 Relax rules and regulations and set appropriate incentives to attract the private sector to have a greater role in educational investment and administration, as well as occupational training at all levels.

6.13 Improve welfare, morale, and various kinds of benefits for teachers and educational personnel at all levels in order to create confidence and pride in their careers.

6.14 Upgrade the standard of teachers' training by means of monitoring the quality and standard of the



performance of teachers. Upgrade quality of teachers, educational personnel, and teachers' organizations.

#### 7. Natural Resources and Environment Policy

The Government is determined to revive, conserve, and develop deteriorated national resources and environment by encouraging participation by private citizens, public organizations, and local administrative organizations. In so doing, the Government will:

7.1 Accelerate the promulgation of laws on community forest to give opportunities to public citizens and public organizations to share in the roles of planting, protecting, and making use of the community forest.

7.2 Improve agencies responsible for overseeing, caring, and managing natural resources so that they will be able to perform duties fully and effectively.

7.3 Minimize conflict in the use of natural resources by making plans for land use.

7.4 Prepare an operational plan by setting priorities for investment projects related to environmental protection. This will serve as a masterplan for management of the environment nationwide.

7.5 Accelerate the prevention and solution to the problems of water, air, and noise pollution, including problems caused by toxic substances and waste by requiring polluters to pay for damages.

7.6 Promote cooperation with other countries in controlling and solving environmental problems.

7.7 Encourage and support public citizens, public organizations, and local administrative organizations to share the roles of conservation, protection, and solving environmental problems.

#### 8. Science and Technology Policy

The government is determined to accelerate scientific and technological development as an important factor to improve the production efficiency and the quality of life of the people. In so doing, the government will:

8.1 Promote research and development, especially for commercial, industrial, agricultural, and service purposes, in order to enhance the production capacity and the development of the quality of life of the people.

8.2 Support the exchange of suitable technology with other countries for national development and the improvement of efficiency in production, distribution, trade, and marketing. Support administrative systems of modern information technology aimed at increasing private sector capability in competing against other countries.

8.3 Accelerate the drafting of a master plan for the development of personnel in science and technology so that their quality and quantity will meet demand sufficiently, especially by increasing science and technology personnel in careers that are urgently needed by the country.

8.4 Expand scientific and technological cooperation development with other countries.

8.5 Promote the creation of scientific and technological information data networks in the country which can be linked with those of other countries.

8.6 Support and encourage private sector role in participating in the development and application of science and technology through incentives in terms of taxes, loan grants, and gratis aid.

8.7 Support the development of a science and technology town to serve as a study and research center.

#### 9. Policy of Distributing Income and Progress to the Regions

The government is determined to distribute income and progress to all the regions by extensively expanding socioeconomic infrastructure in order to make rural development balanced and sustainable. In so doing, the government will:

9.1 Expand basic socioeconomic services such as tap water, electricity, telephone, communications and telecommunications systems, academic institutes, medical centers. Particularly, asphalt roads will be built in all villages and the quality of life of rural people area will be improved.

9.2 Support and push financial institutions to distribute and grant more services and loans to farmers, agricultural businesses, small-scale industries, small entrepreneurs, and new private business operators in the region.

9.3 Promote and encourage more decentralization of industries to rural areas, especially the ones that link the village economy with the community economy, both in the rural and urban areas in order to create more jobs and raise the income of people in rural areas.

9.4 Improve the public health service system to effectively serve the people and attain the goal of good health for all.

9.5 Support the setting of a development strategy for each province and group of provinces in order that development can proceed appropriately according to the potential and needs of each region, so that in turn they will act as a base linking developments in



transport and communications, trade, and other areas with neighboring countries.

9.6 Promote mutual assistance and cooperation within communities to create readiness and strength for contributions to socioeconomic development of the communities and country as a whole.

#### 10. Policy for the Development of Metropolitan Bangkok and Its Perimeter

The government is determined to enhance and develop Metropolitan Bangkok as a metropolis with a better environment and as a center for the region's trade and economy. In so doing, the government will:

10.1 Steadily accelerate the implementation of work plans and rehabilitation projects of Metropolitan Bangkok to solve the problems of the environment and pollution, congested communities, and lack of public utilities and housing facilities.

10.2 Accelerate the solving of the traffic problem in accordance with the master plan by improving in a unified manner the systems of administration, management, and decisionmaking. Systematically coordinate solutions to the traffic problems in Metropolitan Bangkok by inviting the general public to participate in giving views and in following up on the work progress.

10.3 Accelerate the solving of environmental and pollution problems, water pollution in the Chao Phraya River and various canals, garbage disposal problems, and dust, air, and noise pollution. Regarding this, laws will be amended and strictly enforced. Coordination and cooperation between concerning government agencies and private sector will be accelerated. The use of unleaded gasoline will be encouraged as will the control of pollution due to vehicular exhaust. More public parks will be built as lungs for Metropolitan Bangkok, and campaigns will be launched to encourage environmental conservation and management.

10.4 Accelerate the solving of the problem of housing facilities and congested communities by drawing housing development plans, improving living conditions in congested communities. The private sector will be encouraged to provide low-priced living units for low- and medium-income earners by the granting of investment promotion privileges and low-interest loans. The roles of the National Housing Bank, the National Housing Authority, will be improved while public utilities will be expanded extensively.

10.5 Stipulate systematic, efficient, and appropriate use of land in Bangkok and its perimeter in accordance with city planning.

10.6 Accelerate the building of communication links between Metropolitan Bangkok and new the economic zones of the eastern seaboard, the west, upper central, the second Bangkok international airport at Nong Ngu Hao, and satellite towns.

10.7 Revise laws on city planning, the control of building construction, land expropriation, land development, new urban communities, congested communities, and other concerned laws to make them suitable and conducive to the development and rehabilitation of metropolitan Bangkok.

10.8 Support public health management for communities by expanding public health service centers and organizing mobile public health units.

Apart from the policies stated above, the Government will continue the implementation of policy, work, or projects that are beneficial to the country and people and those that were set by the previous governments so that they will be completed speedily. In the administration of work, the government will emphasize cooperation with private sector, and public organizations for achievements.

Respected and honorable Parliament President and Members:

In the administration of the national task as stated above, I would like to confirm that the government will be determined in strictly carrying out the stated policies with honesty and integrity to bring to the country and people the fullest benefits. I am confident that with cooperation and support of honorable Members of Parliament, the Government will be able to implement all the said policies to effectively fulfill all the set targets.

Thank you.

#### Doubt Lingers About Drug Ties in Chat Thai

BK2707060695 Bangkok *THE NATION* in English  
27 Jul 95 p A3

["From the Nation News Desk" column]

[FBIS Transcribed Text] Reports alleging that the Cabinet includes two international drug traffickers could be expected to provide enough ammunition for the opposition to attack Prime Minister Banhan Sinlapachach's fledgling government.

But the opposition has so far steered clear of the issue. Surprisingly, the only one to publicly follow up on the story was an MP [member of parliament] from Banhan's own Chat Thai Party — Chongchai Thiangtham (Suphan Buri).



Chongchai acted as if he believed there were grounds to the allegations, and called on the government to set up a committee to investigate.

Chongchai's move underlined the problem of rifts in Chat Thai, where MPs were earlier squabbling for Cabinet posts.

While a report in the Krungthep Thurakit daily did not mention names, two Chat Thai MPs immediately denied their involvement in drug trafficking.

The report on Monday quoted "a source" from the Office of the Narcotics Control Board as saying two members of the Banhan Cabinet would not dare seek visas to visit the United States.

The source said the two ministers knew well that the United States had "blacklisted" them as persons who had been involved in drug trafficking and that they would be denied visas.

On Tuesday, Deputy Finance Minister Praphat Phothasuthon, who represents Suphan Buri, as do Banhan and Chongchai, denied that he had any visa problems.

He said he had not made any trips abroad recently because he was afraid of flying.

Deputy Science Minister Udomsak Thangthong (Prachuap Khiri Khan) cried foul on Tuesday, saying he had become targeted for destruction.

"I believe some people who hate me are trying to destroy me. Why didn't they say all 49 ministers were involved? This is certainly a political issue," Udomsak said.

Some political observers have suggested that the allegations stemmed from Chat Thai Party "inside politics", since Chongchai was the only one to actively follow up.

Chongchai is known to be waiting for his turn to hold a Cabinet seat in the event of any Chat Thai reshuffle of its line-up.

When the Cabinet was being formed, Chat Thai MPs were reportedly fighting tooth and nail for posts. The rifts were so serious that Banhan had to promise a change in the party's Cabinet line-up in six months to allow disaffected MPs their turn to hold a post.

During the party's meeting on Tuesday, Chongchai asked the party to check on who the two ministers were.

Chongchai joked with several Chat Thai MPs on the reports, guessing who they might be.

"The U.S. government has information on the allegations, but we don't. Many would disagree about this, but there might be grounds," Chongchai said.

Chongchai denied having any ulterior motive for pursuing the issue, although he did not hesitate to suggest what one might be.

#### **ONCB Chief, Senate President on Drug Links**

*BK2607151995 Bangkok Thai Color Television  
Channel 9 in Thai 1200 GMT 26 Jul 95*

[FBIS Translated Text] Police General Chaowalit Yotmani, secretary general of the Office of the Narcotics Control Board [ONCB], says he never gave information to the mass media about politicians involved in drug trafficking as reported. He notes that his office has always been implicated whenever there was a change in politics.

[Begin Chaowalit recording] I must make this confirmation. Concerning the fact whether or not there were any of them, well, I said many times that as long as the ONCB, which is in charge of prevention and suppression, as long as we have no clear evidence to prove against anybody, it is impossible for us to reveal the name or background of that person. [end recording]

Meanwhile, Senate President Michai Ruchuphan said we should not use the United States as an instrument in political fighting against one another.

[Begin Michai recording] Well, we should protest to them now. We have never interfered with them when they formed a cabinet. Some of them were even worse than our own people. No matter how bad we were, we should be left alone to make our own criticisms. [end recording]

#### **Formal Protest Over U.S. 'Interference' Urged**

*BK2707041895 Bangkok BANGKOK POST  
in English 27 Jul 95 p 3*

[FBIS Transcribed Text] The Foreign Ministry should formally protest to the United States over its interference in Thai internal affairs following the disclosure of a new visa rejection controversy. Senate Speaker Michai Ruchuphan said yesterday.

Mr Michai made the statement in response to reports the U.S. Embassy in Bangkok had rejected visas for two other ministers with the initials "P" and "O" in the Banhan Sinlapa-acha administration because of alleged links with narcotics trafficking.

Both suspects are said to be members of the Chat Thai Party, the largest party in the coalition. Two other members of the party, Narong Wongwan and Watthana Atsawahem, had earlier been denied visas by the U.S. because of drug trade allegations.



Mr. Michai expressed doubt over the U.S. purpose in interfering in Thai political affairs, saying Thailand had never said anything against the U.S., particularly its cabinet line-up.

Thailand's only responsibility should be to clarify the alleged wrongdoing with its own members, he said.

The Government, said Mr Michai, would have to take into consideration evidence before setting up an investigation committee to clear the claims against the suspects.

Thai people should not try to use other citizens as a political tool to discredit the new government, he warned.

Asked what measures should be used to settle this matter, Mr Michai suggested that the Foreign Ministry immediately lodge a protest with the U.S. against its interference.

Only Thai citizens know what kind of people Thai politicians are, said Mr Michai, adding that it would be unwise if such rumours were leaked by Thais to discredit their own nationals.

Foreign Minister Kasem S. Kasemsi on Tuesday unofficially warned outgoing U.S. Ambassador David Lambertson against interfering in Thai domestic affairs.

Meanwhile, Pol Gen [Police General] Chawalit Yotmani, secretary-general of the Office of the Narcotics Control Board [ONCB], denied the ONCB had provided information to the U.S. that some Thai politicians had been engaged in drug trafficking.

Such news was normally raised during a political crisis and the ONCB and its officials were always accused of being rumour-mongers, he noted.

For the moment, Pol Gen Chawalit said he could not affirm whether there are Thai politicians involved in narcotics trafficking.

Unless there is concrete evidence substantiating the allegations, the ONCB is not able to find fault with anybody, he said.

The ONCB had sought evidence from the U.S., but it refused to hand over any information, said Pol Gen Chawalit.

## Vietnam

### Radio Reviews Trade Ties to ASEAN Countries

BK2607144095 Hanoi Voice of Vietnam Network  
in Vietnamese 0015 GMT 26 Jul 95

[From "International Topics" program]

[FBIS Translated Text] Since implementation of the renovation policy to shift to a market economy and to undertake the open-door policy that diversifies and multilateralizes its external economic relations, Vietnam has incessantly expanded the variety of high-value export merchandise that responds well to the demands of consumers in ASEAN member countries, such as crude oil, aquatic products, rice, and other agricultural products.

According to incomplete data from the Ministry of Trade, from 1990 the total two-way trade turnover between Vietnam and ASEAN countries increased at an annual average rate of 26.9 percent. Vietnam imported from ASEAN countries gasoline and kerosene, fertilizer, plastic, insecticide, cement packaging paper, electronic goods, motorbikes, medicine, aluminum, air conditioners, beverages, dyeing material, paint, steel pipes, fishing nets, and fabric, which constitute about 30 percent of Vietnam's total annual imports.

Vietnam's exports to ASEAN countries are mainly crude oil, rice, peanut, nuts, rubber, aquatic products, construction stone, scrap metal, timber, maize, jute, thread, cashew nut, pepper, coal, tin, rattan, salted cow and ox leather, handicrafts and fine art objects, tea, vegetables and fruits, and bird eggs. Generally speaking, Vietnamese export goods only represent 0.3 percent of total imports for ASEAN countries.

Direct investment by ASEAN countries in Vietnam has contributed significantly to the promotion of trade between Vietnam and these countries. Acknowledgement should be given to the positive marketing activity of representative offices and agents of companies from ASEAN countries.

Although the trade exchange value between Vietnam and ASEAN increased rapidly in the past several years, Vietnamese trade experts assert that the types of import and export merchandise between Vietnam and each of the ASEAN countries does not quite reflect demand and potential of all parties concerned. At present, Vietnam is in great need of modern machinery and equipment to which the ASEAN countries still have limited capacity to respond. Vice versa, ASEAN countries have extensive demand for raw materials, especially in agricultural products, where Vietnam's ability to respond is inappropriate. Examples of this



situation are the cases of peanut, soybean, green bean, sesame, pepper, and rattan where the demand of some countries is ten times bigger than what Vietnam can export.

### **Reportage on Do Muoi's Visit to New Zealand**

#### **Radio Views Visit, Ties**

*BK2607114195 Hanoi Voice of Vietnam in English  
1000 GMT 24 Jul 95*

[Station commentary]

[FBIS Transcribed Text] Vietnamese party leader Do Muoi will visit New Zealand shortly at the invitation of New Zealand Government. Here is the review of Vietnam-New Zealand relations:

Bilateral ties between Vietnam and New Zealand have developed in many aspects. The visit to New Zealand by Vietnamese Prime Minister Vo Van Kiet in May 1993 and the meeting between Mr. Kiet and New Zealand Prime Minister James Bolger in May 1994, as well as the visit to Vietnam by the New Zealand Vice Prime Minister and Foreign Minister Donald McKinnon were important turning points in bilateral relations.

During these high-level talks, the two sides reached several important agreements leading to the signing of economic, trade, civil aviation, and avoidance of double taxation agreements. New Zealand expressed its readiness to continue its assistance and cooperation with Vietnam in development projects such as agriculture, forestry, animal husbandry, and English-language training. New Zealand hailed and welcomed Vietnam participation in cooperation organizations like ASEAN, and hoped that Vietnam will soon become a full member of ASEAN.

Two-way trade has increased notably. It was \$3 million in 1991, then \$15 million last year. It is expected to be higher this year. At present, New Zealand ranks 25th among the 50 countries and territories which have invested in Vietnam. It has three projects on timber processing, mining, and animal husbandry with total investment of \$25 million.

The visit to New Zealand of Party General Secretary Do Muoi, the highest leader of Vietnam will be an important contribution to the promotion of Vietnam-New Zealand relations.

#### **Do Muoi Begins Trip**

*BK2607235795 Hanoi VNA in English  
1422 GMT 26 Jul 95*

[FBIS Transcribed Text] Hanoi VNA July 26 — General Secretary of the Communist Party of Vietnam Cen-

tral Committee (CPVCC) Do Muoi left here today for official visits to New Zealand and Australia.

These visits are made at the invitation of the government of New Zealand and Australian Prime Minister Paul Keating.

Mr. Do Muoi is accompanied by Mr. Phan Van Khai, Politburo member and deputy prime minister Hong Ha, secretary and head of the Commission for External Relations of CPVCC Dau Ngoc Xuan, Politburo member and head of the State Committee for Cooperation and Investment Phan Dien, member of the CPVCC and head of its Office Le Minh Huong, Politburo member and deputy minister of the interior Ha Nghiep, assistant to the party general secretary Tran Quang Co, first deputy minister for foreign affairs Pham Van Chuong, deputy head of CPVCC's External Relations Commission Nguyen Thien Luan, deputy minister of agriculture and foodstuff industry Vo Hong Phuc, deputy head of the State Planning Committee and Nguyen Thanh Chau, Vietnamese Ambassador to New Zealand and Australia.

#### **Do Muoi Arrives in New Zealand**

*BK2707035895 Hanoi Voice of Vietnam Network  
in Vietnamese 2300 GMT 26 Jul 95*

[Report by Dao Nguyen from New Zealand]

[FBIS Translated Text] Dear friends: at the invitation of the Government of New Zealand, party General Secretary Do Muoi is paying an official friendship visit to this country starting from 27 July.

After a 12-hour flight, comrade General Secretary Do Muoi arrived at Wellington International Airport. On hand to welcome Comrade Do Muoi at the airport were James Bolger, the prime minister of New Zealand; the governor of Wellington; and ambassadors from foreign countries.

An official welcoming ceremony will be organized for General Secretary Do Muoi two hours after his arrival.

#### **Relations With Australia, New Zealand Reviewed**

*BK2707063395 Hanoi Voice of Vietnam in English  
1000 GMT 26 Jul 95*

[Station commentary]

[FBIS Transcribed Text] Party General Secretary Do Muoi left Hanoi on Tuesday [25 July] for an official visit to New Zealand and Australia. Our radio editor reviews relations between Vietnam and these two countries.

It is the first time our party leader pays a state visit to New Zealand and Australia. It marks the new development in friendship and cooperation with the



two Southern countries. The event coincides with the admission of Vietnam into ASEAN.

Ties between Vietnam and New Zealand and Australia in recent years have been increasing. High-level exchanges visits have been made and economic and trade ties are developing. The two-way trade turnover between Vietnam and New Zealand rose from \$3 million in 1989 to \$20 million in 1994, and that between Vietnam and Australia from \$32 million in 1990 to \$330 million in 1994. So far, New Zealand has four investment projects capitalized at \$24 million and Australia has 46 investment projects in Vietnam valued at \$620 million.

The two countries have resumed official development aid to Vietnam. New Zealand has plans to finance projects in agriculture, forestry, education, and population; and Australia has already granted Vietnam a bilateral aid worth \$85 million in the 1991-95 period and nearly \$115 million in the 1997-2000 period, and affirmed its continued assistance to Vietnam in education, health, and consultancy.

New Zealand and Australia highly appreciate Vietnam's renovation process and diversified policy. They support Vietnam's joining the ASEAN and regional cooperation organizations, considering this a positive factor for peace and development in the Asia-Pacific region. Both countries wish to strengthen comprehensive relations with Vietnam. With goodwill and determination of each country, cooperative ties between Vietnam and New Zealand and Australia will continue to develop.

#### **Commentary Outlines Relations With Malaysia**

*BK2607123495 Hanoi Voice of Vietnam in English  
1000 GMT 25 Jul 95*

[Station commentary]

[FBIS Transcribed Text] Malaysia is one of the six ASEAN members. In anticipation of Vietnam's participation in ASEAN at the end of this month, we now bring you an outline of recent development in relations between Vietnam and Malaysia.

Vietnam and Malaysia established diplomatic relations at ambassadorial level in 1973. Malaysia was the first regional country to recognize the provisional revolutionary government in South Vietnam after the liberation of southern Vietnam in 1975. After the reunification of Vietnam in 1976, embassies of Vietnam and Malaysia were set up in their capitals respectively. The then prime minister of Vietnam, Mr. Pham Van Dong, paid an official friendly visit to Malaysia in 1978, opening up a new era in cooperative relations between the two countries.

Over the last few years, in the regional trend for peace, stability, cooperation, and development, bilateral relations have developed in both quality and quantity. Prime Minister Vo Van Kiet and party leader Do Muoi paid visits to Malaysia in January 1992 and March 1994 respectively. At the end of April 1992, Malaysian Prime Minister Mahathir Mohamed paid a visit to Vietnam. This visit helped strengthen mutual understanding and trust, and promoted bilateral and multilateral relations. Worthy of note is that Vietnam and Malaysia are coordinating in exploiting oil and gas in the overlapping continental shelf between the two countries creating a new cooperation model for the region.

Total trade turnover has rapidly increased from \$173 million in 1992 to \$260 million in 1994. In the field of investment, up to December 1994, Malaysia ranked seventh among investor countries and second among ASEAN investor countries, with 31 projects valued at \$580 million.

Speaking at meetings with Vietnamese leaders, Malaysian Prime Minister Mahathir Mohamed reiterated that Malaysia was ready to share with Vietnam its development experience in the spirit of friendship and cooperation. Malaysia has actively supported Vietnam's participation in the ASEAN. Malaysian Prime Minister Mahathir Mohamed pointed out that Vietnam's closer relations with neighboring ASEAN countries over the last few years showed the talent and practicality of Vietnamese leaders. Vietnam would be as prosperous as other southeast Asian countries. He believed that Vietnam sincerely wishes to live in peace and cooperation with neighboring countries, and fully participated in the ASEAN as a responsible member.

#### **Recent Diplomatic Activities Reviewed**

*BK2707083195 Hanoi Voice of Vietnam in English  
1000 GMT 26 Jul 95*

[Station commentary]

[FBIS Transcribed Text] Vietnam has been busy on the diplomatic front in early this year. Our editor has this comment.

One of the key diplomatic activities of Vietnam in the past seven months was to strengthen relations with countries in the Asia-Pacific region. Worthy of note was the official visit to South Korea by party General Secretary Do Muoi and his current tour of New Zealand and Australia. This trip will mark a breakthrough at the highest level in the relations between Vietnam and the Asia-Pacific.

Vietnam's priority is friendship between Vietnam and Cambodia which has undergone ups and downs. This



has been strengthened in the visit to Vietnam by the First Prime Minister Mr. Ranariddh early this year. In that trip, both sides agreed on measures to solve existing problems and differences such as Vietnamese nationals in Cambodia and the border issue through negotiations. Special relationship between Vietnam and Laos continued to develop in both scope and scale.

Relations between Vietnam and China have stepped up with increase in trade volumes and negotiations at the expert and governmental levels on border and territorial issues. Bilateral relations are marked by exchanges of visits at different levels for mutual understanding. Vietnamese Foreign Minister Nguyen Manh Cam has paid an official visit to China to exchange measures on strengthening bilateral relations and concretize agreements already reached between the two countries during the visit to Vietnam by Chinese President Jiang Zemin.

Vietnam's diplomatic activities have also focussed on Europe. Dozen of delegations of Vietnamese leaders visited Russia, France, and Western European countries. This summer, Hanoi welcomed the Australian President and the Prime Ministers of Holland and Romania.

Relations between Vietnam and the European Union also developed. This can be seen in the signing between Vietnam and the European Union an agreement on economic and trade cooperation. That event opened up new prospect for bilateral cooperation.

One of the most outstanding event in July was the normalization of Vietnam-U.S. relations. It was the logical development 20 years since the end of the war. The establishment of full diplomatic relations is based on the principle of peaceful coexistence and noninterference into each other's internal affairs. It will promote economic and trade ties between the two countries.

The results of diplomatic activities in these months have raised the prestige and tradition of Vietnam in the world. Vietnam's desire to befriend all nations is being realized.

For the first time in history, Vietnam has diplomatic relations with 155 countries. Today, international friends find Vietnam a trustworthy and (?fitting) partner with great potential.

#### **State Bank Official on Stock Exchange, T-Bills**

*BK2707125695 Hanoi VIETNAM ECONOMIC TIMES in English Jul 95 pp 30, 31*

[Interview with Chu Van Nguyen, vice governor of Vietnam State Bank, by unidentified VIETNAM ECO-

NOMIC TIMES correspondent; place, date not given: "Stock Taking"]

**[FBIS Transcribed Text] We keep hearing different dates for the launching of a Vietnamese stock exchange. When, realistically, can we expect to see one?**

The way the Vietnamese economy is going we need a stock market soon. The government is preparing it. However, Vietnam does not have any experience with this rather specific industry so we need time. The experiences of other countries have been similar. Take Indonesia. The Jakarta stock exchange started in 1987, but it wasn't until 1991-92 that it started to work properly. There is also the fast-developing market in Shanghai. We are looking for ways in which to build a stock market, operating it safely and efficiently from the beginning. The proposals that have been submitted to the government regarding how it will work include plans for a securities and exchange commission, under the government, to be set up by the third quarter of this year, at the latest. Vietnam needs a stock market but if it is not well prepared and collapses, the loss will be costly.

**The State Bank and the Finance Ministry jointly conducted Vietnam's first T-bill [treasury bill] auction to banks and financial institutions on June 8. What was the background to this?**

The state needs short-term capital to make up for the budget deficit. In the past, the state treasurer directly issued the bills. But there were two big problems: first, the interest rate did not match what would have been achieved under normal market economic conditions. The rate was in fact different from those at commercial banks and the State Bank. So market principles were not being applied; second, the cost of mobilising the capital was very high. In future, the bills will be bought by buyers who can mobilise capital from the public and decide their own interest rates (ie: sell them on the secondary market). They will buy the bills if they see that doing so will be profitable. It won't cost the State Bank much and we'll collect large sums very quickly. The advantages here are twofold. First, we will create a market-inspired interest rate. Second, we can supply to or collect money from this market.

**How many foreign banks took part in the auction?**

Three (Banque Francaise du Commerce Exterieur, Banque Indosuez, and Citibank) and two joint venture banks (Indovina and VID Public Bank).

There were eight winning bidders, including five domestic banks, the two JV [joint venture] banks and one foreign bank (Indosuez).



**What was the average interest rate?**

Eighteen per cent.

**Was that higher or lower than expected?**

Lower. We have a bidding committee under the Finance Ministry and State Bank. Before the bid, there was a meeting convened by the State Bank. At the meeting, we decided on factors relating to the auction, including the rate. But the interest rate was not announced.

**How much did Indosuez buy?**

One billion dong.

**And Indovina?**

Five hundred million, with VID Public Bank buying five billion.

**How do you now rate this first issue?**

This first issuance was satisfactory in terms of the number of participants, the money collected and management. But because this was the first time, there were some members who violated the provisions (of the bidding procedure) due to a lack of understanding of the rules. So they were not accepted. We only considered 23 out of 30 members taking part in the auction.

**What exactly did they violate?**

For example, they wrote into their applications an annual interest rate instead of a six month interest rate. It was just because they were inexperienced. But we still had to refuse them.

**When will the next auction take place?**

In two weeks' time (ie: at the end of June).

**How much will be sold?**

The organisers of the auction will meet five days before the auction and announce the final amount and related details two days before it takes place. It's a question of budgetary requirements.

**Vietnam has been talking about issuing an international government bond for some time. The last we heard on this was that it could be in the middle of this year. However, it has yet to happen, presumably because Vietnam has not yet cleared its debts with commercial creditors. Any idea what the new target date is?**

We are trying to solve the problem of the London Club debt. On the other hand, we are preparing for this issuance. When the debt is paid off, we will start. I can't give you a specific date because this depends on the (London Club) negotiations. By November, many steps may have been fulfilled.

**So, could the debt be cleared in the next one or two months?**

One, two, three or even four is possible. We hope it will be paid off sooner rather than later, maybe by the end of the year.

**Foreign banks chafe at the fact that they have to pay a rather high turnover tax. Are you planning to reduce or abolish it?**

We have submitted a proposal to abolish the turnover tax and it will be decided at the next session of the National Assembly (in October). I think it will be done next year. That is our proposal.

**Which foreign banks have applied for branch licences and which ones will you award?**

There are two Japanese, one Indonesian, one Taiwanese and one French and some others.

**Which Japanese banks?**

Bank of Tokyo and Fujibank. Japan hasn't got any banks in Vietnam but its investment in Vietnam is very big. Their banks will come. We are considering the possibility of licensing those two banks. They can be accepted in about one month.

**Leaders Discuss Master Economic Plan for South**

*BK2607075095 Hanoi VNA in English  
0736 GMT 26 Jul 95*

[FBIS Transcribed Text] Hanoi VNA July 26 — Prime Minister Vo Van Kiet and Deputy Prime Ministers Phan Van Khai and Tran Duc Luong held whole day talks on July 24 with authorities from Ho Chi Minh City and the provinces in the eastern part of southern Vietnam, to discuss a master plan to develop the most important economic area in the south.

Ho Chi Minh City and the eastern part of the southern area, which includes eight provinces, now produces 62 percent of the industrial output, 70 percent of the export turnover, and contributes over half of the state budget's revenue. In addition, more than 53 percent of the total foreign-investment capitalized at over half of the national investment capital are located in this region. This area had a better socio-economic structure and infrastructure than other parts of Vietnam and is developing in the direction of industrialization and modernization.

In the first half of this year, all of the localities are well on the way to achieving the set target of 13.5-14.5 percent for GDP growth, higher than the average national rate. Industrial production registered a constant and stable rise, with 50 percent in Dong Nai Province,



30 percent in Song Be, 22 percent in Khanh Hoa, and 18.5 percent in Ho Chi Minh City. Tay Ninh Province led the region with 51 percent.

In the public industrial sector, all units achieved an increase of 14-16 percent compared with the corresponding period last year, including a rise of 50 percent in metallurgy, 27 percent for chemicals, 20 percent for food processing and 33 percent for garment making.

In regard to a master plan to develop the region from now to the year 2000 and 2010, the government and local leaders were of the view that it is essential to develop a sub-region, including Ho Chi Minh City, Dong Nai, Ba Ria-Vung Tau and Song Be, as the nucleus of the whole region in its long-term plan of socio-economic development. Ho Chi Minh City should also be built as a centre of financial and banking services modern and safe industry and important science and technology for the region and the country at large, they added.

According to the State Planning Committee, this Southern Key Economic Zone (SKEZ) will include 49 industrial parks covering a total area of 23,000 ha [hectares], provide employment for about 2.7 million and produce about 120 million tonnes of goods every year.

The guidelines for regional development as follows were unanimously agreed upon by the meeting.

Optimum use of all internal and external resources to achieve speedy and steady development of the SKEZ so that it will play a leading role in the industrialisation and modernisation of the whole country.

Adoption of a modus-operandi that ensures high socio-economic efficiency, environmental protection and upholds national defence and security.

Linking the development of SKEZ with all provinces in the south and throughout the nation so that a high degree of competitiveness is achieved in the Southeast Asian markets in particular.

The introduction of key industrial products and services from the SKEZ as soon as possible.

Balanced development be the aim of all projects.

The participants also agreed that the development of the regional economy should be based on rational organisation of space for industries. They also agreed that the industrial sector's progress, and the formation of big industrial groups to keep pace with more advanced countries in the region, should be based on sustainable use of natural resources.

Addressing the conference, Mr. Kiet emphasised the need for improving power and water supply, lines

of communication and the transport network. He also stressed environmental concerns and the rational distribution of labour.

## Australasia

### Australia

#### Federal Treasury Attacks U.S. GATT Approach

BK2607124195 Sydney THE AUSTRALIAN  
FINANCIAL REVIEW in English 13 Jul 95 p 7

[Report by Paul Syvret]

[FBIS Transcribed Text] The Federal Treasury has attacked the United States for its "aggressive" approach to the latest round of General Agreement on Trade and Tariffs (GATT) talks aimed at freeing up trade in services.

A Treasury assistant secretary, Mr Ian Robinson, told a conference on International Trade in Services in Brisbane yesterday that "the rather aggressive US approach has hindered rather than helped progress."

Mr Robinson said that late last month the US — which was dissatisfied with some of the offers made by developing nations to free up regulations governing foreign service providers such as banks — had threatened to impose most favoured nation exemptions.

"In the end that just stimulates the threat of retaliatory exemptions," he said. "It seems to me unlikely that the US will change its position. The real risk is that as a result of the US stance other countries may withdraw their offers or retaliate," he said. The deadline for revised offers is now July 28.

"Financial services was always going to be one of the most difficult areas (for GATT)," Mr Robinson said. He also said that one of the problems in liberalising international trade in financial services was the "unavoidable asymmetry" between developed and developing nations.

Developed nations were far better equipped to take advantage of liberalisation measures, while developing countries feared that if access were opened up too far they would be inundated with foreign firms before they had developed their own sophisticated domestic financial services, he said.

#### Inflation Rate Rises to 4.5 Percent

BK2607075395 Melbourne Radio Australia  
in English 0500 GMT 26 Jul 95

[FBIS Transcribed Text] The federal treasurer, Ralph Willis, has described as moderate the latest increase in Australia's inflation rate.



The cost of living increased by 1.3 percent in the June quarter, taking the annual headline inflation rate to 4.5 percent. Mr. Willis said the rise is largely the result of short-term influences such as increases in tobacco and alcohol prices and mortgage charges. The treasurer said more emphasis should be placed on the so-called underlying inflation rate which rose by 2.5 percent over the year to June. He said underlying inflation has been at all below 2.5 percent for three years and is consistent with government terms.

Meanwhile, the federal coalition's treasury spokesman, Peter Costello, said the inflation result spells pressure on interest rates. Mr. Costello said the increase on the underlying inflation is close to the upper limit of the reserve bank's target range. He said inflation is now rising much faster than expected but has described as silly the prime minister's claim that Australia's economic situation is stable.

### New Zealand

#### Government Defers Decision on Missile Contract

LD2707102195 Melbourne Radio Australia  
in English 0700 GMT 27 Jul 95

[FBIS Transcribed Text] The New Zealand Government has deferred a decision on a \$30 million contract to buy

portable surface-to-air missiles for the Army because the best option is made by a French company. Chief of Defense Lieutenant General Tony Birks [name and title as heard] has told the Foreign Affairs and Defense Select Committee of parliament in Wellington that the purchase is on hold. The Matra system from France had been short-listed along with the American Hughes company for the contract. A spokesperson for Defense Minister Warren Cooper says a decision will be delayed until there is no difficulty with it. Correspondents say this implies it will not go ahead until French nuclear tests end in the South Pacific next May.



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